Chemical Industry Featured In This Issue

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EDITORIAL

As We See It

The American public is getting a distressing reminder of what the politician regards as "economy." It is not an altogether new or unprecedented experience, of course, but it is nonetheless distressing. Those who follow such things with care have not forgotten the step taken by the Federal Post Office Department some time ago when pressure for greater economy, and in particular for a smaller postal deficit, became somewhat too great for the Truman Administration to bear. Greater efficiency and better management was at that time in effect defined as curtailment of service.

One was brought to wonder what these politicians would have thought of an announcement from an electric light and power company that it intended to save its customers money by furnishing current only at certain hours of the day or certain days of the week! Or if a railroad determined to be more considerate of the public's purse by discontinuance of passenger service after, say, four o'clock in the afternoon! Of course, one need not ponder such a question very long. The answer is not difficult to conjecture. Yet certain politicians in New York City came up the other day with the proposal to reduce drastically an already severely limited transit service in order to reduce the operating deficit of city owned enterprises in that field—and to cap the climax would put competing private enterprises out of business in order to help the city out of a financial hole of its own digging!

It is most ardently to be hoped—and there is reason to hope, or so it seems to us—that the

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Escalators and the Productivity Racket

By MELCHIOR PALYI

Dr. Palyi, after calling attention to pitfalls in using "broad scope statistics," on which "escalator clauses" in labor contracts are based, contends an escalator clause based on consumer price index is automatically self-inflating. Calls escalator a statistical illusion and an economic misfit, and says the "productivity factor" in these contracts is loaded with vicious fallacies and has no justification whatsoever, and merely provides a fake justification for labor monopolistic practices.

Statistics of a broad scope necessarily operate on more or less arbitrary assumptions. The expert is well aware of the pitfalls involved. The danger is that the layman ignores them and takes the figures at face value. What is worse, politicians and "political economists" are inclined to use the data for their own purposes. Some of the most controversial figures, like the inherently vague estimates of National Income, gross or net, are being elevated to scientific instruments by which to direct centrally economic policies.

Dr. Melchior Palyi

Take the consumer price ("cost-of-living") index. Field statisticians figure out how a family of average size and of average income spends its money, based on insufficient sampling. Then they check daily the average prices in the average locality of this "market basket," and average them into an index number. This becomes the rule by which to fix wages mechanically.

To be "scientific," the consumer price index must cover everything the consumer buys, each item weighted according to the amount of money the average consumer (a pure abstraction) spends on it. The more "exact" the index is, or wants to be, the more often its base has to be revised in order to keep up with the people's spending habits, which opens the door to endless controversies.

The more complete and the more carefully weighted it

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Merger Trend in the Chemical Industries

By ROBERT S. ARIES and RUDOLF M. CZINER
R. S. Aries & Associates
Consulting Engineers & Economists, New York, N. Y.

Messrs. Aries and Cziner, pointing out continued trend in industrial mergers despite opposition of Federal Trade Commission, reveal that about one-third of all industrial mergers occur in the chemical process field. Finds chief advantages of mergers are diversification and integration, along with better and cheaper marketing facilities. Cites a few examples of "de-merging" in chemical industries through divestment of subsidiaries.

The acquisition of operating companies by other firms is nothing new. The recent merging of Willy-Overland into Kaiser, and the absorption of the American Broadcasting Company by Paramount are only two examples (on a large and important scale) of a business practice which has had wide acceptance in our economy. The Federal Government estimates that between 700 and 800 such mergers and acquisitions occur every year since the end of World War II. Many of these mergers are small and relatively insignificant, while others, like the above mentioned and the merger of Squibb & Sons into Mathieson Chemical are probably some of the more important business events in any period. While the actual rate and interest in mergers has somewhat lessened during the past few years, such action will continue to be one of the more important aspects of business life in the United States, rising and falling in frequency with the ups and

Dr. Robert S. Aries

Rudolf M. Cziner

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NEW STOCK MARKET COLUMN—Don't miss "THE MARKET . . . AND YOU," our new stock market column, which appears on page 38.

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

Lion Oil — Charles J. Collins, Chairman, Investment Counsel, Inc.; President, Investment Letters, Inc., Detroit, Mich. (Page 2).

U. S. Government Short - Term Obligations—Donald L. Moffat, Asst. Vice-President, C. F. Childs & Co., Chicago Ill. (Page 2).

Baltimore & Ohio $4 Non-Cumulative Pfd.—Winfried H. Oppenheimer, Partner, Oppenheimer, Vanden Broeck & Co., New York City (Page 38).

CHARLES J. COLLINS

Chairman, Investment Counsel, Inc.
President, Investment Letters, Inc.
Detroit 26, Mich.

Lion Oil

Following a three and one-half year upturn in prices, stocks can hardly be said to be on the bargain counter. At the same time earnings, yields and asset values are not being discounted, historically speaking, at extravagant levels. Today's purchaser of shares will recognize, therefore, that short-range — say, within six to 12 months—vulnerability to substantial price correction partly of a technical nature exists as against which considerable reward could attend the holding of selected shares from a longer-range standpoint.

Charles J. Collins

To qualify, at this point, under the long-range advantage, and at the same time, to reduce the short-range risk to a minimum, dictates the selection of (1) some special situation, such as Climax Molybdenum, where earnings are almost certain to be on the increase for a several year period because of business already negotiated, or (2) a stock whose underlying earnings trend is believed to be upwards and thus one that is the usual course of the next business cycle is apt to establish a new earnings peak. Our choice falls in the latter classification — the so-called growth stock. Among such issues that have current appeal, subject to the overall limitation outlined in the first paragraph above, is Lion Oil.

Lion Oil is a fully-integrated oil unit, with operations extending from the production of crude oil to refining, transporting and marketing of gasoline and other petroleum products. The company has been aggressive in the development of reserves and has holdings in important areas, such as the Williston Basin, returns from which are yet to be fully tested. Reserves have been estimated at around 90 million barrels but, as with a number of companies, we believe this materially understates the case. Just recently the company brought in a discovery well in the Denver-Julesburg Basin, producing 1,000 barrels a day of good gravity oil on test. Lion shares a 50% interest with CONTINENTAL OIL in 640 acres surrounding the well, and has an additional 100% interest in 320 acres offsetting the well, plus 2,080 acres owned outright in the general area. The company considers the discovery of major significance. The postwar development program has achieved a close balance between crude production and refinery runs.

Over-all efficiency also has benefited from improvements to the refinery and the addition of an asphalt specialty plant, which produces a wide range of products, including rust preventatives, asphalt paint and plastic cement. Further expansion of refinery facilities will be achieved when the $5 million improvement to the El Dorado refinery is completed in about the third quarter of 1953. This will permit a 50% increase in gasoline yields at the expense of less profitable items, such as fuel and burning oils, and will permit greater flexibility in end-product determination. In addition to raising refinery profits margins, the new facilities will establish a base for the production of higher octane fuels.

Were Lion Oil engaged only in the producing and refinery of petroleum, its record would attract investor interest. It is the company's participation in the petrochemical field, however, which lends particular attraction. This venture dates from 1946, when Lion leased a Government plant. The plant was then purchased outright in early 1948 for $10.5 million, since which time the company has invested more than $11 million to broaden these facilities and diversify its chemical product lines. These chemicals include anhydrous ammonia, nitrogen solutions, ammonium nitrate, ammonium sulphate, and sulphuric acid, which are marketed primarily as fertilizers. Since sales of these products are marketed in the immediate area, Lion, via a freight rate advantage, occupies a favorable competitive advantage in their distribution.

Chemical operations have proved a very satisfactory venture for the company. It now has under erection a $31 million chemical plant at New Orleans, which is scheduled to come into production about the middle of 1954. Like its other chemical plants, this unit will utilize natural gas as the base material. When the New Orleans plant, which will greatly increase capacity, is completed, the company will be about one-half in oil, one-half in chemicals. It probably has the largest proportional stake in petrochemicals of any oil company, and should materially benefit from the prospective expanding long-term demand for agricultural chemicals.

Capitalization, which includes financing of the expansion projects now under way, consists of $38.8 million of funded debt and around $83 million of common represented by 3,090,875 shares of book value estimated at around $28 as of the Dec. 31, 1952 year-end. Sales of $7.6 million in 1929 had climbed to $10.6 million in 1937, to $54.2 million in 1947 and, for 1952, exceeded the $86.5 million chalked up in 1951. The company's entry into petrochemicals, its increased crude production, and its bigger refinery runs, all have made for a sharp change in the postwar profit picture. Thus earnings per share, which averaged 39 cents for the years 1938-40, averaged $4.74 for the years 1950-51. Earnings for 1952 were $3.30 a share, comparing with $4.37 on a smaller capitalization in 1951. Nineteen fifty-two earnings were depressed by a strike in the company's chemical division and by the refinery strike in the oil industry, including refineries of other companies to which some of Lion's crude oil production is traded. Earnings are expected to be higher in 1953, and once the El Dorado expansion is completed and the New Orleans chemical plant comes into operation, should show material improvement.

At current prices of 37, Lion Oil common, reflecting the lower earnings of 1952, is off some 21% from its 1952 high of 46¼. While there is nothing in the immediate picture to suggest a material price run-up in the shares, they seem reasonably priced on the indicated 5.4% income yield and seem distinctly attractive from the company's longer-range viewpoint as discussed above.

DONALD L. MOFFAT

Assistant Vice-President,
C. F. Childs and Co., Chicago, Ill.

United States Government Short-Term Obligations

In a general sense short-term investment could mean anything from a one-day maturity to a five-year maturity, depending on the needs and problems of the particular investor involved.

Donald L. Moffat

In the United States Treasury short-term market, four specific types of issues are available to investors, namely, bills, certificates of indebtedness, notes, and bonds, all maturing within five years, each offering a distinct advantage to the investor that has an approximate time limit on funds for investment.

Just to high light a few advantages of each type issue, listed below are some pertinent features concerning them.

(1) **Treasury Bills:** Unless there is a special offering, these securities generally mature within 91 days, and are offered weekly by competitive bidding by the Federal Reserve Bank on behalf of the United States Treasury Department. This covers a 13-week cycle, and at present is continuous each week. Consequently a choice of these securities are available in the open market maturing within seven days to 91 days all yielding a fairly generous return at the present time. This return fluctuates with changes in the money market. These sell at a discount, meaning they are purchased below par, and are paid off at par upon maturity. They are favorites of commercial banks to adjust cash positions, corporations with temporary cash balances, State funds, or anyone that wishes to take advantage of short-term funds profitably. To illustrate, $100,000 invested, say at a rate of 2.00% for one day amounts to $5.56; for 30 days **$166.67**; for 60 days **$333.33**, and for the full 91 days **$505.56**.

(2) **Certificates of Indebtedness:** They mature within a year, and offer a slightly different advantage. These securities are unique in some respects. There are presently three issues of these in the market varying in yield from 1.74% for June 1, 1953, a 1.86% for Aug. 15, 1953, and a 2.02% on those maturing Feb. 15, 1954. Two of the issues are longer than bills, yet the return is just about the same. The reason being they offer a hedge against a change in short-term rates. Also, at present prices the premium is small, and these issues may have a potential right

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Plastics Invade Structural Materials' Field

By FRANK K. SCHOENFELD*
Technical Vice-President
B. F. Goodrich Chemical Company

Describing plastics as "most versatile structural materials known," Dr. Schoenfeld reveals uses of plastics in building industry. Says speed-up is needed in plastic fabrication technique, as well as a high degree of intelligence in introducing plastics into new fields. Reviews Canada's economic progress.

Nothing in the world's industrial scene is as fascinating to an engineer as the spectacular progress of Canada. Here in the third largest nation, from the standpoint of area, the energy and vision of a free people are building one of the greatest nations of our times.

Blessed with natural resources of immense but largely uncharted potentiality, Canada is already the most important nation for its population size in the world today. It is destined to become an even more powerful, more prosperous country. An interesting side-light is that the high average intelligence of the people causes them to understand this economic expansion of Canada to a great world industrial power. Everyone seems to be in the show sharing in the excitment and optimism.

When I compare economic statistics of the United States and Canada, I am reminded of the popular song "Everything You Can Do I Can Do Better." The United States has had a tremendous industrial growth the last dozen years. Yet Canada has percentagewise bettered almost every United States growth statistic. In the last decade Canada has tripled both its import and export trade. Historically the United States has always supplied about two-thirds of Canada's imports. Now in the last decade Canada's exports to the States have grown from one-third to two-thirds of the total Canadian products exported. As Canada grows into an industrial giant, there is a growing integration of the economies of our two nations. This has brought and will continue to bring many rewards to our countries. Let us hope we will continue to go forward together as mutually respected partners. Let us be sure that blind political nationalism on the part of either partner never grows strong enough to stifle the long-term benefits of this economic partnership, unique among the nations of the world.

"Plastic's Second Honeymoon"

The theme of this meeting is "Plastic's Second Honeymoon." Like most second honeymoons, it comes when the children are fairly well grown. The parents are reasonably prosperous and much of the conversation is about how well the children are doing. Plastic's oldest child, the phenolics, shows promise of broadening its usefulness into several new fields. Its recent marriage with rubbers, promises to be a productive union. The vinyls and the polystyrenes are well established and themselves have growing families. These grandchildren — modifications of polyvinyl chloride and polystyrene, have interesting characteristics that are revolutionizing many industries. There is much conversation concerning the gifted polyethylene and there is considerable discussion about the future of that problem child—polyesters.

Although plastics have many unique applications in which they serve special purposes, they more frequently extend or replace other materials. During the last decade there has converged on this small group of man-made materials an array of scientific, engineering, and artistic talent as diverse as the technologies of the structural materials that plastics are replacing. In no other field has intelligent effort been rewarded with more striking or steadier advances. Even the less informed layman is aware that plastics can be combined with or can replace textiles, rubber, and leather with advantages to his personal living comfort. He is less aware that plastics are broadly used in industry as adhesives for plywood, as the base for the newest types of paints, as the raw materials for the synthetic textile fibers and textile treating agents, as paper and leather treating agents, as agricultural aids, and even as medicinals. Few laymen, except perhaps the fishermen and sports car fans, are yet aware that plastics are now making a determined invasion of the structural material field, competing with lumber, glass, light metals, ceramics, and iron and steel.

Fantastically High Forecasts of Plastic Industry Growth

Forecasts of future growth of the plastic industry often are so fantastically high that the forecaster arbitrarily cuts his figures by a large factor. Even conservative forecasters estimate a tripling in plastic sales volume by 1960. The situation is that the structural materials that plastics can replace are such high tonnage items that even a small percentage replacement by plastics gives large volume plastic growth figures. How intelligently plastics are introduced into new fields; how careful our industry is in maintaining product quality; how well our engineers design and our chemists modify properties; in other words, how well we operate this business of plastics is the main limitation on the degree of our

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*An address by Dr. Schoenfeld at meeting of the Society of Plastics Industry of Canada, Niagara Falls, Ont., March 11, 1953.

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The New Economic Climate in Washington

By GEORGE B. BOOKMAN*

Economic Reporter, Washington Bureau, "Time" Magazine

Pointing out "things have changed in Washington since Inauguration Day," and there is a new economic climate in the National Capital as well as a change in fundamental economic philosophy, Mr. Bookman looks for law of supply and demand to operate, and says traditional forces will be allowed to influence affairs in realm of finance. Holds major danger is whether the economy has dynamic strength to meet the transition, and indicates Administration will not shrink from acting to stimulate more international trade. Concludes new Administration is one of moderation, particularly in economic matters.

Even though the Eisenhower Administration has been in power just short of two months, and it is probably true that we "Ain't seen nothing yet," still, so much of great significance has happened in Washington in this short time that I propose to report to you today on the outstanding changes in the economic field. There is a new economic climate in the Capital, a new climate that affects the world, the nation and your business of exports. So I propose to sketch for you this new national climate for exports.

George Bookman

You exporters do not need a visitor from Washington to tell you that your business is peculiarly sensitive to the policies of government, both of our own government and of foreign governments. In fact, I understand that several years ago a speaker told some of you that you are the most subsidized group of businessmen in America. But it is not only the $35 billion in foreign aid that the United States has spent since the war that affects your fortunes. Like businessmen everywhere, you are directly affected by changes in tax policy, by credit policy, by farm policy, in fact by every facet of policy-making in Washington.

A Change in Fundamental Economic Philosophy

The biggest basic change in Washington since January 20 that is going to affect your business is a change in fundamental economic philosophy. Your business is going to be conducted in a climate of free enterprise.

This new government is not afraid of the law of supply and demand. It takes a relaxed and approving attitude toward the free functioning of the forces of the marketplace.

You will remember that in the first few weeks of the Eisenhower Administration there was a sharp drop in the price of cattle. The papers carried reports that banks were foreclosing on loans in the cattle-raising country. Congressmen from cattle states got excited, demanded some help from Washington. Delegations came to the Capital from the west to find out what the government was going to do. In the midst of all this clamor I dropped in to see one of the top men in the Agriculture Department, one of the men on the team of the new Agriculture Secretary, Ezra Taft Benson. This official was very relaxed. He wasn't worried a bit about the drop in cattle prices. He pointed out that cattle prices usually soften just before income tax time, anyhow. And he ventured the opinion that cattle prices may have been too high previously and it was not unusual that some of the price rise chalked up in the wild days of the post-Korean inflation should be lost. He was not unconcerned, but he certainly was not worried.

To find a government official so relaxed when thousands of voters were getting so excited about what the law of supply and demand was doing to them was a very novel experience for me. I had not found anything like it in Washington since I first started covering national affairs, 15 years ago.

The aftermath of this was, as you know, that the cattle market steadied, and consumers are now getting the benefit of the price drop.

This new government also took its chances with the law of supply and demand when it made the decision to do away with price and wage controls. Until they went out of office, the last Administration predicted all sorts of dire consequences might follow if price and wage controls were removed.

Before he ordered them dropped, President Eisenhower had a private survey made. It showed that there might at most be a rise of 1% in the cost of living if controls were killed. Some prices would go up, others would go down. The total rise would come to no more than 1%. Eisenhower decided to take the chance. He knew that much of the force of inflation had already been spent. He knew also that the rigid pattern of controls had caused strange distortions in the normal relationships of prices. He thought it was time to let prices seek their own level. So he took the plunge. It has so far turned out to be a wise decision. Unions have been moderate so far in their demands for wage increases. They know that in the next round of wage bargaining they will not have Government on their side of the table. Prices too have taken the change calmly. Though a few prices have gone up, there has been none of the overheated pressure on prices that was so freely predicted in Washington some months ago.

Traditional Forces in Realm of Finance

In the realm of finance, this government also places great reliance on traditional economic forces. Take the question of debt management. We have a national debt of about $260 billion, of which almost $100 billion come due for refinancing in the next two years. The policy of the new team at the Treasury is to let the financial marketplace set the price at which new issues shall be sold. No longer will the Federal Reserve System be used to "rig" the market for government securities to keep interest rates artificially low. Maturities of the floating debt will be lengthened. This policy costs money, costs more money than the government had been paying for debt service. But the Eisenhower Administration is willing to accept that as the price of economic freedom in the financial market. The new Administration places great faith in regulating the economy by the indirect method of influencing the supply of money and credit. One commentator has called this "Fingertip Control" of the economy. It is a method that places supreme reliance in traditional economic forces, rather than direct interference by Government officials in the Nation's financial transactions.

In agriculture, too, Eisenhower is pursuing this same philosophy. His hands are tied somewhat in this field by the fact that during last summer's campaign, he promised farmers he would support basic farm commodities at high, rigid levels for another two years. The decision on butter shows that. But his Secretary of Agriculture has made it plain that he would rather see a flexible system of farm price supports, leaving some room for farm prices to move up and down above disaster levels, so that natural adjustment can be made in supply and prices In this field too, the Eisenhower Administration wants to let in a breath of free enterprise competition.

President Eisenhower refers to his economic policy as one of "unshackling" the economy. When Charles E. Wilson was named Defense Secretary, he said he would give the job "The Darndest Whirl it has ever had." In that same spirit, Eisenhower seems ready to give natural economic laws the darndest whirl they have ever had, at least in the last twenty years.

Most businessmen, and most exporters, will welcome this change of economic philosophy in Washington. However, in this complex age the old-washioned economic virtues are hard to live by. The Eisenhower philosophy has its pitfalls, and no one is more conscious of them than the President himself.

Has the Economy Sufficient Resilience to Meet the Change?

A major danger to be watched, it seems to me, is whether the U. S. economy has the resilience, the dynamic strength, to stand so much freedom after such a long exposure to control. Thanks to control, both in wartime and since the war, the productive capacity of this country has doubled and almost doubled again in the last 14 years. At the moment we have almost no unemployment. With 61,000,000 people at work, unemployment is down to bedrock levels. The peak of defense production is just being approached. The Nation's productive resources are almost fully employed, except for negligible soft spots. But how long can that be maintained? That is a worry on the minds of many businessmen today. Government now accounts for almost one-fifth of our total national output. In a controlled economy, government had the tools to keep wages high, to keep prices low, to fuel industry with orders, to keep the price tag on money low enough to make business expansion attractive. In a free economy, prices will be determined by the relative strength of seller and buyer. Wage rates will be determined by the relative strength of capital and labor across a bargaining table or on the picket line.[1] The price of money, that business needs for new investment, will no longer be kept down by a Treasury intent more on cheap money than on using money as a regulator of the economy.

This new atmosphere of freedom places responsibilities on those who enjoy it. Business has the responsibility to be moderate in its price demands, to improve its product, to lower its costs. Labor has the responsibility to moderate wage demands, to join management in trying to increase man-hour productivity. Finance has the responsibility of using the power of money to encourage business expansion, rather than to tax it for all the traffic will bear. Unless these responsibilities are acknowledged and met, the experiment with freedom, with an unshackled economy, will fail. New and perhaps more onerous shackles would have to be devised the next time. No one is more conscious of this than President Eisenhower and his Administration. They know that they, as Government, can do only part of the job of making freedom work in the market place.

Another characteristic of the climate for exporters in Washington is this: Our foreign economic policy will be international minded but at the same time hard-headed.

Of course the Eisenhower Administration is international minded. How could it be anything else when it is headed by a Military Statesman who has led two memorable crusades overseas: The crusade for Victory in World War II and the crusade for unity among the North Atlantic Nations? But it is not international minded in a soft-headed or "Globaloney" sense.

This Administration, as we well know, is facing up to the challenge of Communist aggression. But it does not believe that the American taxpayer can or should be asked to pay the whole bill for rebuilding the strength of the free world.

The Eisenhower Administration did not coin the phrase "Trade, Not Aid." but it believes deeply in the validity of that idea.

When the U. S. Foreign Aid Program began, it was started with the intention that it should be ended after a stipulated number of years. As the program has continued, however, the date for ending it has receded further and further into the future. First there was aid to Greece and Turkey, then Marshall Plan aid came and went, followed by Economic Aid, and Mutual Defense Aid, and Defense-Support Aid, and Technical Assistance. In the sixth year of the postwar phase of the U. S. Foreign Aid Program former President Truman could think of good reasons for recommending spending another $7.5 billion on foreign aid of all kinds.

On the other side of the world, we have been carrying on for two and a half years what is undoubtedly our most expensive foreign aid program, namely the Korean War. Into this War, we have poured more than 125,000 American casualties and as yet uncounted billions of military expenditures. The end, as we have recently been told, is nowhere in sight.

The Eisenhower Administration approaches this problem of our overseas expenditure of lives and money with two basic objectives in mind: The first, is to find adequate substitutes for the commitment of American manpower; the second, is to find adequate substitutes for the commitment of American Government dollars.

The effort now taking place to make better use of the forces of Nationalist China, to shift more of the burden of fighting Communism in Asia into the hands of Asians themselves, is not being undertaken with any thought of appeasing Communism. On the contrary, the basic plan is to maintain the pressure on Asian Communism, or if possible to increase it, but at the same time to disengage American soldiers from the task.

There is a counterpart to this in the field of foreign economic policy. Admittedly, the Eisenhower Administration is trying to save money in our foreign aid policy. There is no intention of leaving our Allies at the mercies of the stepped-up Soviet trade offensive, or prey to native Communist agitation. The Administration is deeply convinced however that our friends in Europe particularly can afford to do more

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*An address by Mr. Bookman before the 33rd Annual Convention of the Export Managers Club of New York, New York City, March 17, 1953.

1 By testing the strength of union and management.

The State of Trade and Industry

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

The net result of the declines and advances in over-all industrial production for the nation in the period ended on Wednesday of the past week showed that output held close to the level of recent weeks, which was the highest since the last quarter of 1943. It was estimated that total output was about 3% under the all-time high reached at that time.

Claims for unemployment insurance benefits fell 10% and were near the lowest level reached since the close of World War II. New claims fell to a new low for the year.

Secretary Weeks of the United States Department of Commerce reported the past week that business activity in the current quarter is higher than in the final three months of 1952 and "solid confidence" in the business outlook is reflected in manufacturers' expansion programs. He predicted 1953 capital expenditures for plant, machinery and equipment would top 1952's $26,500,000,000. Personal income, the Secretary noted, is running at an annual rate of $280,000,000,000, or $3,500,000,000 above the pace in the final quarter last year.

In another report the United States Department of Commerce stated that economic and military aid from this country to foreign nations last year totaled $5,600,000,000, 10% above the 1951 figure. Grants of military assistance comprised $2,700,000,000, almost double the amount allotted in 1951. Economic aid, however, dipped 20% from the 1951 total, amounting to $2,800,000,000 last year. Repayments by foreign nations in 1952 were $600,000,000, the department reported. Western Europe received $4,200,000,000, or 75% of the total grants.

Steel prices will go up now that controls have been lifted, according to "The Iron Age," national metalworking weekly. But producers will not hurry to put a general increase into effect at once. They first want to determine about how much the seventh wage round is going to cost them.

This trade weekly adds that producers are convinced that selective increases are necessary to achieve reasonable profit margins and correct price inequities that arose between items during the period of so-called stabilization.

When price increases come, they will be on a selective basis. Goal is to make every item on mill books pay its own way—as long as the market situation permits.

Users of bars, structurals, rails and plates will likely face the stiffest increases, since some producers are convinced that these products have not been pulling their share of revenue, based on cost data they are continuing to study.

Some mill executives are urging that price adjustments be made reasonably soon on grounds that they are justified. But more cautious officials, this trade authority points out, favor a careful study of the price structure before any moves are made; such as determination of possible cost increases resulting from wage talks which are likely to begin no later than June 1; avoidance of the risk of public reaction to precipitate increases, as well as to avoid embarrassing the Administration that freed them from controls.

This reasoning will likely prevail, although marginal or high cost producers may be expected to move in advance of the bulk of the industry—especially if their order books indicate the traffic will bear still higher premium prices, it states.

Defense business will be at least as good as last year with some expecting a quickening of delivery schedules on military items. These factors may be expected to spur steel orders for defense, states this trade magazine: (1) Inauguration of the Malenkov regime in Russia raises new doubts. (2) Investigation of ammunition shortages will sharpen already quickening procurement schedules. (3) Red shooting of Western planes this side of the Iron Curtain will firm defense determination, and (4) Eisenhower economies are aimed at getting most fire power per dollar; cuts are to be administrative, not material.

A careful check of steel demand by "Iron Age" editors in major industrial areas shows Detroit still the pacemaker in scorching steel demand. A development of that market area is the "daisy chain" moving broker steel from hand to hand while prices leapfrog. Because of this, consumers are occasionally paying 14c to 15c per lb. for sheets. Mill price is about 6c per lb.

This is a good indication of the tightness of the market. These prices are not being paid just by the little fellow, but by some

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Inflation or Deflation Ahead Now?

By A. WILFRED MAY*

Mr. May asserts Kremlin's post-Stalin policies will vitally influence our own inflation-deflation course. Emphasizing inflation is not one-way street, he orientates our present position after recurrent long-term swings. Detailing numerous inflationary and deflationary elements now confronting us, he concludes (1) over near-term deflationary factors may well predominate and entail mild price declines with reversion to monetary stability; (2) over very long-term, secular trend of dollar will tend toward depreciation; and (3) both inflationary and deflationary pressures will accentuate government interventionism. Regarding status of investor, he cites past record showing absence of consistent correlation between stock prices and currency depreciation. Maintains today's investor is fortunate in being able to buy stocks on value basis without worrying about inflation-hedge element.

It is particularly timely now to make this talk, because the death of Stalin, in addition to its other cosmic effects—political and military—re-highlights that important question whether inflation or deflation lies ahead of us. Realization that our armament and other Cold War defense expenses occupy no less than 74% of our Federal budget, makes it obvious that the direction of the Kremlin's new Palace Guard is an important key to our inflation-deflation direction under our own new Administration.

A. Wilfred May

The following "inflation" questions, among others, come to our minds: (1) Do the world-wide down-turns in prices which have occurred since 1951, and the other current indications of contraction and retrenchment, signify a major long-term deflation? (2) Have we witnessed here, as abroad, the major peak—or instead perhaps merely a foothill—of inflation on the long road of permanent secular creeping depreciation of the dollar? (3) Again, is the current reversion to orthodox monetary policies and relative stability, on which we are embarked, apt to be regarded as permanent?

These are really vital, fundamental, practical questions for all of us, not merely an indoor parlor sport to be talked about as sophistric conversation nor for academic discussion in the ivory towers of our universities or the economic societies of which many of us are members; because the answers give the key to the future worth of pension funds, as to whether the position of our insurance holders, millions of them, is really permanently endangered, and whether the future of the 20,000,000 of our non-union-protected wage earners can be safeguarded. Also, above all, they indicate whether our armament program, and the future of the entire free economy can be reasonably financed, and our free institutions safe guarded as well as the future of our individual businesses—all of which, of course, depend on the stability of the dollar.

A Matter of Definition

Now just let me stop a moment, as a matter of definition, and right here get to a usable definition of what we mean by inflation—a term of which, of course, is bandied about no end. We are not here talking of hyper-inflation such as took place in Germany after World War I, when in 1922 wholesale prices multiplied twenty-two fold over what they'd been in 1919, and by the following year stood at 40,000,000,000 times their 1919 level, so that it took a basketful of German marks for the housewife to buy a loaf of bread. All this happened and was supported by increases in the money supply, and was accompanied by a general flight from the currency—both in Germany and to some extent in France at various times. The German type of inflation, where no one had confidence in his money from hour to hour or from day to day, has, of course, been cited as a bug-a-boo in numerous discussions during the last decade here. We are not in this country today concerned with that type of hyper-inflation.

To some extent, we are justifiably worried about suppressed inflation, which we had here during the past war. By suppressed inflation we mean a situation in which inflationary forces are at work, but where the usual price manifestations are prevented from showing themselves by numerous devices such as the imposition of price ceilings by the government and other controls at the expense of a greatly increased money supply. The money is supplied; all the mainsprings of inflation are present; but the manifestation, in terms of prices, is suppressed forcefully by the government by ceilings and controls.

Nor are we concerned with mere expansion, with which inflation is sometimes confused. That is a price rise which results from an imbalance in prices or a change in prices due to consumer preferences: increasing popularity for some kind of goods, a craze for some product; or unpopularity, conversely, of other kinds of goods. That has nothing to do really, with inflation. That is expansion or contraction due to price changes or consumer preferences. Cutting through all these concepts, our definition is simply as follows: inflation consists of a major rise in prices resulting from an increase in the money supply, which exceeds the amount of goods and services which are available for consumer use. All of these things must be included to fit my definition of inflation. In other words, an increase in the supply of money by itself is not enough to have an effective inflation. Your inflated credit and money supply must activate by an actual major rise in prices which results from those causes.

Inflation Lulls

Now a bit of orientation may help us to see where we are today in the cycle. First, I might say that not only every taxi driver and manicurist, but even more so every wage earner, who today is tied to the cost-of-living index is inflation-conscious more than at any time in past history. It is not today just an economist's concept, or an economist's problem; but as more and more people are on the escalator, and as I say tied to the cost-of-living index, more and more the population is conscious and concerned with this problem. Your labor unions today are becoming equally concerned with **de-flation**, and are already trying to scuttle these arrangements because of falling prices in various categories such as the

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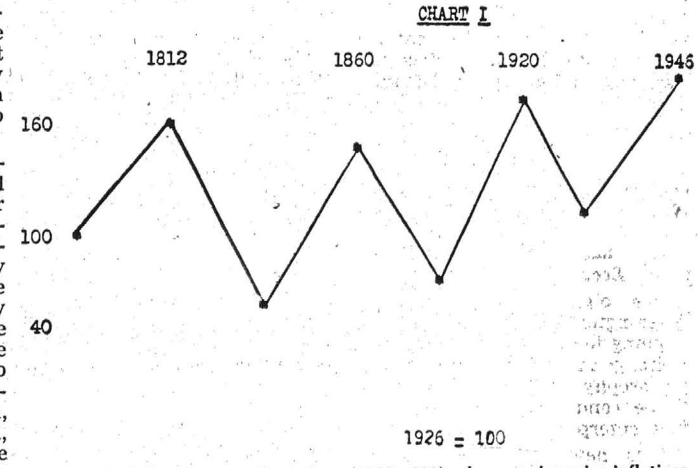
WAR — THE MAIN CAUSE OF INFLATION

CHART I



Chart, of wholesale commodity prices (1926=100), shows major price inflations after each of country's major wars—Revolutionary, Civil, World Wars I and II.

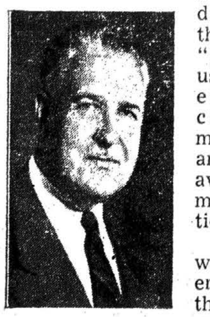
*Transcript of address by Mr. May before the 32nd Annual Business and Professional Men's group, University of Cincinnati, March 13, 1953.

An Industrial Look at Atomic Power

By LIEUT. GEN. LESLIE R. GROVES, U. S. A. Ret.*
Vice-President, Remington Rand, Inc.

Retired army officer, who supervised atomic power developments, maintains commercial nuclear power plants could be put into operation within next 10 years. Sees greatest use of atomic power in large electric plants and on naval vessels, but warns eagerness to apply atomic energy to industrial purposes should not sacrifice our essential military security. Asserts, in atomic energy field, we cannot depend upon our superior manufacturing techniques to keep nation safe.

The general objective of our discussion is the value of atomic energy other than in the waging of war or in the avoidance of war. I prefer this definition to the usual term "peacetime" uses of atomic energy because it is more precise and helps to avoid possible misinterpretation.



Leslie R. Groves

However, I would like to emphasize at the very outset, what you all know, that it is not possible to discuss the power in the atom without regard to the implications of nuclear energy in weapons of war. This condition is not limited to these days of cold war and of uncertainties as to the day to day intentions of the Kremlin. It will always be with us until the day comes when man universally is pure in heart, is perfect in intentions, and has true love for his fellow men.

The reasons for this are quite simple.

Atomic bombs in the numbers now potentially available are completely capable of destroying modern civilization as we know it. This would be true even if the destructive power of these bombs had not, as it has, increased since Hiroshima and Nagasaki. The situation is made much worse by that off-shoot from the development of the atomic bomb, namely the hydrogen bomb.

Unfortunately no way has been discovered to prevent the use of fissionable materials in weapons. All that is necessary is to have such materials in sufficient quantities to make a bomb.

Military vs. Industrial Use

We have found no way to separate fissionable materials into those that are suitable for war and those that can only be used in peaceful pursuits. Like the steel in the ploughshares that can be beaten into swords, fissionable material in industrial use can be readily converted into weapons of war. The uses of atomic energy in industry must therefore always be discussed against the background of military power.

Today we face the same issue that man has always faced, his desire for comfort and his urge for survival, or in terms more blunt, his standard of living versus his military security. Man has always compromised on this issue and so must we.

No advantage that we might achieve through the industrial use of atomic energy could possibly outweigh in the mind of any thinking American any possibility, however remote, of our destruction as a nation. As the President said some time ago, "A soldier's pack is not as heavy a burden as a slave's chains." That was language we all understood. We cannot afford to compromise our safety as a nation for a slightly pleasanter life. The military preparedness burdens which this nation is carrying today are definite proof that the American people believe this. They believe that our first duty is to preserve the nation and that this takes precedence over our natural desires for a more enjoyable existence.

The fundamental question is, can we in this nation, dedicated to and made strong by free enterprise, develop means of using atomic energy for industrial purposes and, having developed the means, can we use them without impairing our national security?

Technical development and progress are often great equalizers. This is true in industry and it is true in war. But, of course, equalization does not mean exact equality. The development of industrial processes has often more than equalized the industrial capacity of companies, and even of nations. The introduction of gunpowder went a long ways towards equalizing disproportionate sizes and strengths of individual soldiers. It is possible that the introduction of the atomic bomb has assisted in the equalization processes of the supporting technical and industrial strength and armed might of Russia versus the United States. But even greater assistance has been received through the recent incorporation into the Russian economy of German technical and sicentific personnel.

We have always felt that Russia was far inferior to the United States in technical production, that we could far outdistance her in mass production of close-tolerance industrial products and military equipment. But the atomic bomb does not necessarily require great mass close-tolerance repetitive production. Certain phases of its production can be done on a much cruder basis than was done by us in the Manhattan project particularly at Hanford. This is due primarily to our great regard, and the Russian complete disregard for human life and welfare. The Hanford Plutonium plant and the accompanying chemical plants could have been built much quicker and much more cheaply if we had been willing to take chances on human lives. I am sure that no Russian Commissar would hesitate about ordering one of the proletariat to enter a highly radioactive chamber to make an adjustment or a repair, whereas we would always provide, even at almost prohibitive cost, means of accomplishing such work through remote control without endangering the lives or health of our workers.

There is another equalizing effect which must not be forgotten. I can best illustrate this by something that touches every one of us. We have all seen the development of modern automobile tires. Years ago, when we drove an automobile, we expected to have to deal with numerous punctures and other tire troubles. Today they are almost non-existent. But the tires of today go far beyond essential or even what would once have been thought of as extreme performance. After all it really makes little difference to the average user whether tires last for 20,000 or for 30,000 miles. Now, the power of the atomic bomb is so great that it gives us little advantage over the Russians if our bomb is a little more perfect technically and a little more powerful. There would be little difference in the destructive effects of either. However, as long as the number of bombs in the hands of the enemy can be really limited or as long as the power of our bombs is much greater, we will retain a definite advantage.

The International Problem in Use Of Atomic Energy

In 1944 when we first became confident of success in the development of the atomic bomb, we started to think of the international problem which would result. We came to the conclusion that our primary advantage would be that we would have for more than a few years an assurance for peace. It would be a time in which the world could have a breathing spell to gain understanding between the countries behind the Iron Curtain and the free world. This was the fundamental thesis of the United States plan proposed under the leadership of Mr. Bernard M. Baruch to the United Nations. It was an attempt to take advantage of this breathing spell to gain peace for all time to come. It was not successful, due in part to the attitude of the leaders of the Russian Government, and in part to the insistence on the part of some of our own government officials in disclosing to the world just how far we were willing to go to reach an agreement. This of course destroyed any bargaining possibilities, and bargaining is dearly loved by Russian diplomats. Any Russian official who fails to secure better than offered terms ceases to be an official and usually ceases to be. We still have this breathing spell, due largely to our atomic superiority and it is essential that we prolong this breathing spell as long as we can, hopeful that someway, somehow, it may be forever.

This breathing spell will continue until such time as Russia feels she has equalized her position with respect to atomic power. This will be when she is convinced that she has enough atomic weapons so that by striking first, or by more skillful application of such weapons, or by better defensive measures against the carriers of such weapons, she will be able to damage us to such an extent that she can bend us to her will, and such will is our enslavement.

You may ask, and quite properly, why, with the potential effects of atomic weapons, we initiated the work. In Dec. of 1942 only a few months after we embarked on our all-out drive on the development, this question was carefully considered, and it was considered not only from the standpoint of victory in World War II, but of the period after that war. It was our belief then that there were reasonable chances, 90%, that an atomic bomb would eventually prove to be feasible, and that whoever first obtained such a weapon would be able to dominate the world.

The thinking, as I have said, went beyond the end of World War II. It was recognized then, and should be remembered now in all our thinking concerning the power of the atom, that possession of atomic weapons would place tremendous responsibility on the leaders of governments having such weapons.

In former times governments, in order to exist, had to have the support of a reasonably sufficient number of their citizens. The development of modern weapons such as the tank, and the complexities of life and dependence on others in modern existence make it possible for a small handful of men to maintain themselves in control of large populations. This fact, and the complete lack of moral principles, or even decent human instincts already displayed by Hitler pointed the certain

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*An address by Gen. Groves before the Cleveland Technical Societies Council, Cleveland, Ohio, March 16, 1953.

Toward Stable Prosperity In a Free World

By DAVID ROCKEFELLER*
Senior Vice-President, The Chase National Bank of New York

Referring to recent conference of British and American statesmen in Washington, executive of great New York banking institution asserts "free world is now in better position than at any time in postwar period to move toward freeing trade and making currencies convertible." Says U. S. has less justification than others for tariffs and other trade barriers, and lists as conditions for promoting normal trading and expanding world economy: (1) internal policies preventing inflation; (2) establishment of adequate currency reserves; and (3) drastic reductions of tariffs and other curbs.

The recent visit of the British Foreign Minister and Chancellor of the Exchequer to Washington highlights the keen interest which exists throughout the free world in the reestablishment of normal trade relationships. In an effort to reach this goal, the wisest men in many lands have put their heads together. There have been international conferences, exhaustive studies have been made, speeches have been delivered and articles written. However, much of what has been said has been either so highly technical or so prejudiced by self-interest as to lack clarity and objectivity. Thus there is a need for restatement of the problem and the issues—that is the task I shall attempt to undertake today.

David Rockefeller

I do not come to you today with some easy solution which others have failed to produce. Perhaps in this country we are too prone to assume that every problem, no matter how complex or delicate, has a simple solution. This is especially risky in the case of international economic relations which are in their very nature complex. What I shall attempt is to restate the problem as simply as I can.

In essence, this is the idea which I should like to develop: The free world is now in a better position than at any time in the postwar period to move toward freeing trade and making currencies convertible. Nevertheless, there remain controls and restrictions which continue to hamper international trade and commerce. These must be dismantled in order to expand world trade and production. Notably, United States tariffs and trade restrictions must be reduced drastically and, in the dollar deficit areas, monetary reserves should be strengthened and internal inflation must be curbed. Until further progress is made along these lines, it would be hazardous to make all the currencies of the free world readily convertible.

U. S. Goals in Foreign Economic Relations

Let us start off by asking ourselves what are the goals of the United States in terms of its foreign economic relations. We desire to help achieve a free and expanding world economy and to help provide rising living standards for all people of the world. It must be recognized that our economic, political and military goals are interrelated. It will be impossible to achieve our economic goal unless we have the military strength and political unity needed to deal with the Communist threat. On the other hand, we can't hope for military strength and political unity unless we can develop an economic policy that will produce rising living standards throughout the free world. Without detracting from the ethical and humanitarian motives which move us toward the economic betterment of people in other lands, we should recognize that the achievement of this objective is essential to the United States if we are to continue to prosper ourselves. We look to other parts of the free world for sources of raw materials, for markets for our products, and for attractive opportunities to make investments. If prosperity is absent, our search will be in vain. We shall have more to say on this question of fundamental objectives later on but let us first examine conditions as they are today.

It is now seven and one-half years since the end of World War II. The world economic picture that unrolled in the postwar years has three facets. First, the United States emerged from the recent war by all odds the most powerful economic nation the world has ever known. Western Europe, on the other hand, emerged greatly weakened by loss of manpower and by the devastation of her productive plant and property. A third facet to the picture was the aggressive expanionist attitude taken by the Government of the Soviet Union.

The Foreign Aid Program

Faced by a reconstruction and economic rehabilitation problem in Europe, and by the threat of militant Communism, the United States Government undertook a series of dramatic and unprecedented steps, including loan and aid programs which to date have totaled in the neighborhood of $40 billion. The United States is still spending about $5 billion a year in foreign aid which is approximately the postwar annual average.

There are some who have challenged our aid program on the

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*An address by Mr. Rockefeller at the 33rd Annual Convention of the Export Managers Club of New York, Inc., New York City, March 18, 1953.

Chemical Plants for Spring

By IRA U. COBLEIGH

Author of "Expanding Your Income"

With growth a most seasonal topic, a swift survey is offered of the chemical industry, and certain of its equities renowned for that quality.

With the share market going merrily along sparked by air-crafts, utilities, certain rails and natural gasses, it is not amiss to enquire at this point, "what cooks with the chemicals?" For a number of months issues in this section have turned in a rather slovenly market performance; and none has, in recent months, exercised that dynamic speculative forward motion, so characteristic of this group during most of the past decade. For example, Merck and Commercial Solvents are only a few paces from their 1951-52 lows, Pfizer is off about 30%, and Mathieson about 19%.

Ira U. Cobleigh

Naturally in an industry so diverse, not all units will move, or earn, equally. Those companies serving heavy industry suffered, in 1952, from steel and oil strikes. Pharmaceuticals languished from overproduction, and resulting downward price revisions, in penicillin and certain other antibiotics. Alcohol prices sagged, and chlorophyll apparently is not filling so many vital or social needs as many had thought it would. At all events, it has not offered fierce competition to Chanel No. 5, nor improved the native olfactory charm of goats!

The principal notes to be made on the 1952 chemical record are the heavier swing in total sales, away from agriculture and heavy industry, and toward broader consumer-type items. Fertilizer was at one time the number one chemical user; now it's in the number four spot and has to be bracketed with insecticides to stay there.

All the fabulous new synthetic fibers, first rayon, then nylon, orlon, dynel, vicara, etc., have pushed the textile industry up to number one on the chemical use parade. Just as the textile trade has sought to stabilize its earnings by use of synthetics, to replace the hazards and the gyrations of the wool market, so has the rubber industry veered away from the natural raw rubber to the synthetic type. Both of these powerful trends toward greater assurance of supply, and stability of price, have added hundreds of millions to the gross sales of leading chemical companies. Further, by diversification, they provide greater elements of insulation against a sales loss, if the general business pace slackens.

On the financial side, 1952 carried on a trend, already well marked, toward heavier debt financing in chemical companies. Time was when most of the top chemical enterprises had either just one type of security—common stock—or that, plus a preferred. In those days, retained earnings were usually adequate generators of capital for plant expansion. Well, times have changed, and partly because taxes eat up the internal expansion money kitty; partly because interest rates have been attractive; partly because new plants are so costly; and partly because a stockholder might like a little more leverage, increased long-term debt has become fashionable among chemicals. Ten or surely fifteen years ago, a bond issue by Allied Chemical would have sounded like financial heresy; yet now we are about to witness the biggest chemical bond issue on record—$200 million by mighty Allied Chemical.

Finally, before we talk about some particular companies, it should be noted that research is still a big, and dominant element, in chemical success. American Cyanamid spent about 4% of gross in lab research last year, and many spent between 2% and 3%.

1953, with a quarter almost gone, looks like a good chemical year. Many of the inventory and price bugs of 1952 have been worked out, stock yields of around 3½% are available; and share price levels of between 18 and 20 times indicated earnings (a ratio positively frightening in railway equities), are not historically out of line in this field which has, since 1918, piled growth on growth.

Time will only permit a few lab notes about specific companies. Let's start with American Cyanamid. It's big, it's gorgeous, and just because its per share net slipped from $4.04 in 1951 to $3.07 in 1952 is no reason to blow cold on its common. Here's why. It's the fourth in size in the industry and its rate of growth has since birth (1907) been spectacular. In four leading uses of chemicals—plastics, synthetic textiles, drugs, and soil conditioners—ACY has an important stake.

Its Lederle Laboratories, famous for pioneering in aureomycin, now offer "Rovac," a preventer of hog cholera, "Varidase," solvent of blood clots, a polio vaccine; and preventive or curative drugs for cancer and TB are being researched.

Acrylonitrile is a toughie to pronounce, but it spells big profits for ACY, which is building a new $48 million hydrocarbon plant (outside New Orleans) to produce the ammonia for it, via natural gas. This aforementioned jawbreaker is the base element not only for synthetic wools, like Acrilan, but for plastics and artificial rubber as well.

ACY has its own plastic, "Laminac," that when laced with glass fibers can make a plastic body, housing, or mould for almost anything.

Priced about 50 (16 times 1952 earnings) ACY does not appear inflated, particularly if it can earn $1 in the first quarter, 1953, as some have suggested.

Commercial Solvents had rather a bad go of it in 1952. Per share net slipped from $2.22 in 1951 to 52 cents for 1952, lowest in 14 years, and negative coverage for the $1 dividend. This somewhat discouraging result stemmed mainly from two areas of overproduction in the industry—alcohol and penicillin, with price dips to match.

For 1953, much better things are hoped for, due to $25 million in 1952-53 plant investment, a major part in Sterlington, La., to step up production of ammonia and methanol. Further, a new research center in Terre Haute, Ind. is calculated to generate new and profitable products.

Diversification of output is definitely being sought as a means to stabilize and, in due course, to expand earning power. Riboflavin, "Baciferm" and Vitamin B-12, to step up rates of animal growth, present interesting horizons; and a blood extender "Dextran" is thought to have wide sales possibilities.

At around 20, CV may present values for the future not at all revealed in the 1952 operating statement.

Mathieson Chemical deserves mention because it has grown so rapidly, and, for six years in a row, increased both gross sales and net income. Much of this growth was achieved by the merger route; and in 1952 by offering 2,297,182 shares of its common, it acquired Squibb with its renowned line of pharmaceuticals and toiletries.

On a per share basis, net dipped a bit in 1952 to $2.35—down from $3.02 in 1951—but that showing did not truly reflect the overall long-run advantages to be derived from the Squibb merger. Better results are expected by next December.

A catalog of Mathieson products would burden this piece, but this company is big and getting bigger in caustic soda, soda ash, chlorine, nitrogen, sulphuric acid, petrochemicals and ethical drugs.

At 39½, paying $2, Mathieson yields about 5%, a very tidy return on a chemical, where most issues yield nearer 3½%. Moreover, at 14 times earnings, the market price is at an attractive multiple for shares in this industry.

Allied Chemical and Dye has been a blue chip chemical for 30 years—and it still is. Its shares grace the portfolios of dozens of investment trusts, and have been a Tiffany-type equity for investors generally.

For years ACD, with its cash and marketable investment-laden balance sheets, was able to finance expansion by retained earnings. However, a postwar enlargement of great magnitude—$313 million for the seven years ended Dec. 31, 1952—and heavier tax bites have dictated the wisdom, if not the necessity, of long-term debt financing, fully outlined in a prospectus shortly available unto you.

In brief, $200 million of 25-year debentures are en route. They will provide brand new leverages for common stock, and finance exalted earning power from new lines of synthetic fibers (polyamide), polyethylene and other petrochemicals. All this, in addition to the company's traditional lines of heavy chemicals like soda ash, ammonia, sulphuric acid and a batch of coal tar derivatives.

The 8,856,000 common shares of ACD covered their $3 dividend by 1952 per-share earnings of $4.55. The dividend looks gloriously safe. 1953 should push gross well over the $500 million mark and perhaps hop up the per share. Allied Chemical may now be on the threshold of still greater investment excellence and elegance.

Of course, I've missed a lot in this fascinating field. I didn't talk about Union Carbide, whose 1953 sales should pass $1 billion, and whose leadership in plastics, and the production and use of atomic energy is currently noted. Its liaison with Pittsburgh Consolidation Coal also has long-term vistas of profitability. Monsanto, Dow, Hercules, Heyden and others should also receive your inspection.

If you're an investor, you simply can't ignore chemicals. Their plants have shown perennial growth—in spring, as well as the three other seasons.

Foresees Likely Decline in General Business

J. H. Ashbaugh, Vice-President of Westinghouse Electric Corporation, tells bankers studies by his company indicate a dip of from 8% to 10% after 1953, which may extend to low point in 1955, before starting up again.

In the course of a talk on March 24 to bankers attending the National Instalment Conference of the American Bankers Association in Chicago, J. H. Ashbaugh, Vice-President of the Westinghouse Electric Corporation, stated that studies made by his company indicate there may be a dip in general business conditions in the months ahead.

"We project that this decline may go as low as 8 to 10% in gross national product, disposable income, and general business," Mr. Ashbaugh said. "This decline after 1953 may extend to a low point in 1955, and then the curve starts up again. By 1957 or '58 it is back to the same level as 1953.

"This data then gave us a bench mark to analyze the electric appliance business itself. This business, like other consumer durable goods businesses, historically has been roughly correlated with the changes in general prosperity; and it must be supposed that this will hold true in the future. It is also true, however, that the appliance business, although modified by general business conditions, has in some respects—and particularly with some products — shown greater strength than the composite of all business. For example, growth in home electrification has supported the appliance business in the past when other factors might have depressed it.

"We must consider the new products that will be added. It's sometimes hard to realize how new some of these products are; but in the last 10 years we have added, among others, freezers, television, bed coverings, waste disposers, dehumidifiers, etc. In the next decade there will be improvements on the old products and the addition of new ones.

"When we assembled all of the facts and data and added them up, we forecasted that in the next 10 years we would be selling two appliances where we now sell one. In other words, it appears that the business will follow the trends of the past, doubling itself again in the next 10 years. However, we do not believe it will be a straight increase in each year's business over the last year. It appears there will be a slight dip and then a rise."

Dealer-Broker Investment Recommendations & Literature

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

Canada and Canadian Provinces Funded Debts Outstanding—Booklet—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Canadian Common Stocks—Bulletin—Charles King & Co., 61 Broadway, New York 6, N. Y.

Dallas Fire & Casualty Insurance Companies—Comparative financial statements of **Trinity Universal, Republic Insurance Co., Gulf Insurance Co.,** and **Employers Casualty**—Sanders & Newsom, Republic Bank Building, Dallas 1, Tex.

Dividends For More Than A Decade—Booklet listing by industrial classification common stock issues traded on the American Stock Exchange that have paid dividends for from 10 to 104 consecutive years, with yields etc.—Public Relations Department, American Stock Exchange, 86 Trinity Place, New York 6, N. Y.

Higher Yielding Equities—Tabulation—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

How To Get Leads For Your Sales Force—Booklet discussing many mailing pieces that have been successfully used by security dealers to obtain leads at low cost—M. A. Kates, President, Mailograph Co., Inc., 39 Water Street, New York 4, N. Y.

Investing on Credit—Discussion with three sample portfolios—In the current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue are analysis of "3-D" in motion pictures, of **Chicago Rock Island & Pacific Railroad** and a list of 40 stocks selling at or less than seven times 1952 actual or estimated profits. Also available is a memorandum on **Christiana Securities Co.**

Life Insurance Stocks—Bulletin discussing capital gain opportunities—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Low Priced Common Stocks—20 selected issues—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Low Priced Speculations — Bulletin — Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y.

Medium Priced Recommendations—Brief analysis of **Bucyrus-Erie Company, Cluett, Peabody & Co., Inc., Kaiser Aluminum & Chemical Corp., Standard Brands Inc., United States Plywood Corp., United States Rubber Co.,** and **Worthington Corp.**—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available are data on **Canadian Pacific Railway, Chicago & Eastern Illinois Railroad, New York, New Haven & Hartford Railroad,** and **Northern Pacific Railway.**

New Japanese Share Offerings—Bulletin—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-Ku, Tokyo, Japan. In the same bulletin are a list of price ranges of stocks most active on the Tokyo Securities Exchange.

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

Office Equipment Manufacturers—Bulletin with special reference to **Burroughs Adding Machine**—Bregman, Cummings & Co., 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.

Railroad Common Stocks — Tabulation of ratio of Wages to Operating Revenue—Bulletin No. 118—Smith Barney & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Allied Chemical & Dye Corp.,** and **White Eagle Oil Co.**

Railroad Earnings—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Robot Vendors — Analysis — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

What Percentage of My Investments Should be in Common Stocks?—Bulletin—T. Rowe Price & Associates, Inc., 10 Light Street, Baltimore 2, Md.

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

* * *

Allied Stores Corporation—Analysis—J. R. Williston, Bruce & Co., 115 Broadway, New York 6, N. Y. Also available are analyses of **Goodyear Tire & Rubber** and **Willys-Overland Motors, Inc.**

American Cyanamid Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street New York 5, N. Y. Also available are memoranda on **American Viscose Corp.** and **Chas. Pfizer & Co.**

American Equitable Assurance Co.—Memorandum—J. R. Williston, Bruce & Co., 530 West Sixth Street, Los Angeles 14, Calif. Also available are memoranda on **Globe & Republic Insurance Co., Merchants & Manufacturers Insurance Co.,** and **New York Fire Insurance Co.**

American Machine & Foundry Company—Annual Report—Secretary, American Machine & Foundry Company, 511 Fifth Avenue, New York 17, N. Y.

Bank of America—Comprehensive booklet reviewing the history and growth of the bank—First California Company Incorporated, 300 Montgomery Street, San Francisco 20, Calif.

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

Canada Dry Ginger Ale, Inc.—Analysis—Glore, Forgan & Co., 40 Wall Street New York 5, N. Y.

Canadian Industries Limited—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Central Illinois Electric & Gas Co. — Memorandum — G. A. Saxton & Co., 70 Pine Street, New York 5, N. Y.

Chicago Corporation — Bulletin — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Chicago and Southern Air Lines, Inc.—Bulletin—Gartley & Associates, Inc., 68 Wiliam Street, New York 5, N. Y.

Chrysler Corporation—Review—Orvis Brothers & Co., 14 Wall Street, New York 5, N. Y. Also in the same bulletin are brief reviews of **Cincinnati Gas and Electric Company, National Cash Register Company,** and **Standard Oil Company of California,** and a list of 40 investment quality common stocks.

Columbia Broadcasting System—Memorandum—Sills, Fairman & Harris, 209 South La Salle Street, Chicago 4, Ill.

Crane Company—Analysis—Dreyfus and Co., 50 Broadway, New York 4, N. Y.

Diamond Alkali Company—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Dunningcolor Corp.—Card memorandum—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Foremost Dairies Inc.—Memorandum—Taylor & Co., 105 South La Salle Street, Chicago 3, Ill.

Illinois Central Railroad Co.—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Lloydminster Development Co., Ltd.—Report—J. P. O'Rourke & Co., Board of Trade Building, Chicago 4, Ill.

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

Monitor Mines, Inc.—Circular—D'Avigdor Co., 63 Wall Street, New York 5, N. Y.

National Screw & Manufacturing Co.—Memorandum—Crowell, Weedon & Co., 650 South Spring Street, Los Angeles 14, Calif.

New York Trust Company—Analysis—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Standard Factors Corp.—Circular—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Tappan Stove—Report—Uhlmann & Latshaw, 111 West 10th Street, Kansas City 6, Mo.

Tilo Roofing Company, Inc.—Annual report—Tilo Roofing Company, Inc., Stratford, Conn.

Western Central Petroleums Inc.—Information—S. B. Cantor Co., 79 Wall Street, New York 5, N. Y.

Western Union Telegraph Company—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Wisconsin Public Service Corporation — Analysis — The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Wisconsin Public Service Corporation—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a review of **Koehring Company** and a discussion of **Electric Utility Common Stocks.**

El Paso Nat. Gas Stock Offering Underwritten

El Paso Natural Gas Co. is offering to holders of its common stock and to holders of its $4.25 convertible second preferred stock, 1949 series, both of record March 24, 1953, rights to subscribe for 883,882 shares of common stock at $32.50 per share, according to an announcement by Paul Kayser, President of the company.

The subscription privilege entitles common stockholders to the right to subscribe for one share of new common stock for each four shares of common stock held. The holders of the $4.25 second preferred stock, 1949 series, are entitled to subscribe for one share of common stock for each share of such preferred held. The offering is at substantially 11% under the market and amounts to $28,726,165.

The subscription offer will expire at 3:30 p.m., April 8, 1953.

The offering is underwritten by a nationwide group of investment firms headed by White, Weld & Company.

The purpose of the offering is primarily to obtain equity funds for an expansion program increasing the capacity of the system by 400,000,000 cubic feet per day, the over-all construction cost of which is approximately $180,000,000.

As part of the financing of this program, the company has just contracted to sell at private sale $120,000,000 of first mortgage bonds. It is contemplated that the balance of the financing necessary to raise the funds for the full program will be raised through the sale of preferred stock and debentures.

Col. Henry (Pat) Heid, Jr.

Col. Henry P. Heid, Jr. passed away March 22 at the age of 34. Col. Heid, was a Vice-President of The Robinson-Humphrey Co., Inc., of Atlanta, Ga., with which he had been associated since 1948.

A graduate of the United States Military Academy, he served under the late General Patton in World War II as a Colonel in a tank unit of the Third Army. Among his citations were the Silver Star, Legion of Merit, Bronze Star and Purple Heart.

COMING EVENTS

In Investment Field

March 26, 1953 (Phila., Pa.)
Bond Club of Philadelphia luncheon at the Union League.

March 30-April 3, 1953 (Philadelphia, Pa.)
Opening session of Institute of Investment Banking sponsored by Investment Bankers Association of America and the Wharton School of Finance and Commerce.

March 31, 1953 (Boston, Mass.)
Boston Investment Club dinner meeting at the Boston Yacht Club.

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

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

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

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

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

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

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

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

Reconciling a Defense Economy With Private Enterprise

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Prof. Slichter, in discussing long-run problems created by an extended defense program, reviews questions which must be answered, before adequate conclusions can be arrived at. Holds continuation of a large defense program will limit use of fiscal policy to control inflation, since it will be difficult to balance budget, but contends direct controls of materials or prices are not needed as long as defense is financed either by taxes or real savings. Concludes, whether size of defense program can be reconciled with a free economy depends on public's willingness to pay taxes or put their savings into government securities

The United States is faced, for the indefinite future, with the necessity of producing the huge quantities of defense goods needed for the cold war. I wish to discuss some of the long-run economic problems created by the defense program and some of its probable effects on the economy. My discussion will be based upon the assumption that in the long run, armed forces of 3,500,000 men (our approximate present number) will suffice and that annual expenditures on defense will be at approximately the present rate of $50 billion. Implicit in this assumption is the additional assumption that there will be no great change in the international situation.

Sumner H. Slichter

I have selected eight questions for brief discussion:

(1) Will the indefinite continuation of the cold war prevent the standard of consumption in the United States from rising at its usual rate?

The answer to this question is, "No," provided the expenditures for defense can be kept at their present level of approximately $50 billion a year. The effect of the defense program upon the standard of consumption in the United States has already made itself felt. The defense program is today taking about $33 billion more output per year than it was taking before Korea. If this rise of $33 billion in expenditures had not occurred, a more or less corresponding amount of product would have been available for consumption and private investment. One can only make a rough guess as to the actual amounts because the large demand for defense goods has put the economy under pressure and has probably made it operate closer to capacity than otherwise would have been the case. In the absence of the defense program, employment might well have been around one million less than it is, and the total national product between $5 billion and $6 billion less than it is. Hence, the defense program has probably cut the product available for private consumption and investment by around $27 or $28 billion a year. The part of this loss that comes out of consumption is perhaps $22 or $23 billion a year. Hence, the defense program has forced us to cut our standard of consumption by around 10%.

If it turns out to be true that no large further increase needs to be made in defense expenditures, the total annual growth in the productive capacity of the country will be available for private consumption and investment. Consequently, from now on (or perhaps from next year on) it should be possible for the standard of consumption to resume rising at the "normal" rate. In per capita terms, this is about 2.5% a year.

(2) Does the fact that the defense program has reduced the country's standard of consumption by around 10% mean that the standard of consumption at any future date will be about 10% less than otherwise would have been the case — in other words, is the 10% loss in consumption that we experience today likely to be a permanent loss?

The answer to this question depends upon how the defense program affects the rate of technological change. If the program has no effect one way or the other upon the rate of technological change, then the answer to the question must be, "Yes." Some scientists believe that the long-run effect of the defense program will be to retard the development of science and thus, indirectly, the development of technology. They reason that the necessities of defense cause scarce and valuable scientific talent to be diverted from basic research to work on problems of a more or less engineering nature. In addition, it is pointed out that military service has interfered with the training of young scientists and engineers. This interference does not seem to have happened on the graduate level, but it has happened at the under-graduate level.

It is possible, however, that the defense program will, in the long run, actually stimulate the development of technology. This is the result that I expect. It is true that the defense program has interfered with some basic research and that the armed services have failed to work out personnel policies that have not interfered with the training of young scientists and engineers. I believe, however, that these impediments to the advancement of technology are offset by other effects of the defense program. This program makes enormous demands, almost regardless of cost, for new types of goods that industry could not afford to buy, or, at least, could not afford to buy in large quantities. Thus, the defense program increases the scale of development work and accelerates its completion. Furthermore, the great demand for scientists and engineers, for which the defense program is partly responsible, will enable the physical sciences and engineering to compete more effectively with other occupations for able young men and women. Thus, the long-run effect of the defense program is likely to increase the number of scientists and engineers in the country. In particular, it is likely to increase greatly the number of able young women who go into science and engineering — fields that for purely conventional reasons have been overlooked by young women in planning their careers.

(3) If a large proportion of people are engaged in making defense goods, will not the demand for articles of ordinary consumption outrun the supply, and will not the excess of demand over supply bring about a steady rise in prices?

The answer to this question is, "Not necessarily." The people who make defense goods will, of course, receive incomes which will enable them to buy consumer goods. But they will not be making consumer goods. Hence, it might look as if the production of defense goods would introduce lack of balance between the supply of consumer goods and the demand for them. If, however, the defense program is financed out of tax revenues or savings, the incomes of individuals and corporations after taxes and savings will be reduced below their incomes before taxes and savings by the amount of the cost of the defense program. Thus, the demand for the non-defense goods will not be raised by the defense program above the supply of such goods. There may be other reasons, of course, why the demand for non-defense goods may at times exceed the supply. Furthermore, the defense program itself may create a demand for private plant and equipment which is financed by inflationary methods. But to the extent that the purchase of defense goods and the purchase of the plants and equipment needed to make defense goods are financed out of taxes or by other non-inflationary methods, the defense program will not directly cause demand to outrun supply.

(4) Will the indefinite continuation of the cold war require price controls, wage controls, material controls?

The answer to this question is, "No." Price controls and material controls are needed only when demand is outrunning supply. During the last three years, when the country was making an effort to increase its military forces and equipment quite rapidly, there was not enough steel capacity, aluminum capacity, copper capacity, machine tool capacity, and many other kinds of capacities to meet simultaneously the needs of the defense program and the more or less normal demands of private industry. Hence, material controls were necessary, and undoubtedly did much good in quickly channeling materials and equipment in the directions needed by the defense program. In a period of rapid increase in defense production it is possible that price controls might do some good, too, provided that they were not too drastic and did not limit too severely the incentive to increase the output of needed goods. On the other hand, the recent price controls in the United States were imposed so late and at such a high level that they had only very limited effect. I realize, of course, that there are some important exceptions to this statement. Copper is one of them. Perhaps it was just as well that price controls were imposed tardily and that they were unable, therefore, to discourage the production of many forms of goods.

After the buildup of the defense program has been accomplished and after the plant, equipment, and labor force have been adjusted to the dual needs of defense and private demand, neither material controls nor price controls are needed — provided, of course, that the government collects enough in taxes to keep its budget balanced or finances the deficit out of real savings, not by resort to the banks. If the above conditions are met, the supply of goods and the demand for goods will be roughly in balance. Hence controls of prices or materials will not be needed.

What about the need for wage controls? I prefer to delay for a few minutes the discussion of wages in a high-employment economy. The bargaining power of unions in such an economy is very great. To some extent the defense program will increase the total demand for goods and thus raise the bargaining power of trade unions. This will create a problem, but I do not think that the solution of the problem is to be found in government wage controls. I shall touch on this point presently.

(5) Within two or three years will there not be a drop in defense spending and will not such a drop bring about a recession?

I do not know whether or not there will be a drop in defense spending in two or three years. It has usually been assumed that such a drop will occur. This assumption, in turn, is based upon the additional assumption that the rate of defense spending will rise from the present level of about $50 billion a year to $55 billion or even $60 billion a year. Then the further assumption is made that after our military forces have been pretty well equipped, the level of defense spending will be determined by replacement needs and that the rate of defense spending will drop to around $40 or $45 billion a year.

I think that the time has come to question this view of the future course of defense spending. It is interesting to review the way in which opinions about the future of defense spending have changed in the last two or three years. As these opinions have been reconsidered, three modifications have occurred with considerable regularity. In the first place, the time when defense spending was expected to reach a plateau has been pushed farther and farther into the future. This reflects the effect of revolutionary changes in the technology of war upon the ability of the armed services to determine what they want to order and the ability of industry to fill the orders. In the second place, revisions of thinking have led the estimates of the top level of defense spending to be reduced. This change reflects the fact that different parts of the defense program will reach their peaks at quite different times. In the third place, the revised views have put the date of the eventual drop in defense spending farther and farther into the future and have raised the estimates of the long-run level of defense spending. The more remote dates estimated for the expected ultimate drop in defense spending reflect the same reasons that have led to the beginning of the plateau to be put farther and farther into the future. The higher estimates of the ultimate level of defense spending also reflect the powerful influence of rapid changes in the technology of war. It is becoming clear that the element of mere replacements in defense demands will be considerably less than has been assumed. So rapidly are changes being made in war equipment and so important are these changes that the country will be under the necessity of buying large quantities of new kinds of equipment for the indefinite future. Hence, unless there is a major improvement in international relations, defense spending cannot

Continued on page 40

*An address by Dr. Slichter at the Harvard Business School Mid-West Conference, Detroit, Mich., March 21, 1953.

The Basis for Standby Controls

By BERNARD M. BARUCH*

Contending another war, if it comes, is likely to explode in a big smash, veteran elder statesman says if standby legislation is not enacted, " all will rue this tragic needless neglect." Cites principles underlying sound mobilization, which includes allocating our resources "so survival takes priority over desire." Wants mobilization laws kept "on the books." Asserts, if, on outbreak of Korean war, over-all controls had been imposed and high taxes levied, the budget might have been balanced.

The legislation before you proposes to put on a stand-by basis the authority and machinery that would be necessary to cope with another war or near-war emergency were one to burst upon us. None of these powers would go into effect at this time. They would simply be placed on the statute books now, so they could be invoked without delay at some future time of peril.

Bernard M. Baruch

A Simple Issue

You face a simple issue. Are we to take the elementary precaution of writing into law now what we know would have to be done in event of emergency? Or shall we neglect this vital measure of defense and, in doing so, increase the risk of war, add to the toll of dead and wounded if war does come and make inflation certain —all needlessly?

I do not believe in government controls in time of peace. I am opposed at all times to the government doing what private citizens can do for themselves.

But ours is a world under siege. We can hardly afford to be complacent about the threat of another war. We know that modern warfare requires the mobilization not alone of military forces but of whole economies—of everything.

*A statement by Mr. Baruch before the Senate Banking and Currency Committee, March 23, 1953.

The Enemy's Plan

The controls and disciplines required to shift a peaceful nation to military production differ completely from the workings of a free economy. That may be one reason we cherish our free economic ways, because they are so opposite to the ways of war. But this very difference between our normally relaxed practices and what war entails is perhaps the gravest source of danger which menaces us.

There can be only one military plan that any enemy plotting our destruction can have. And that is to overwhelm us **before** our gigantic productive energies can have been converted from peace to war. No enemy general staff will ever forget two facts about the last war. At the peak of the conflict the United States produced nearly as many airplanes, tanks, guns and other war material as the rest of the world combined. But, more than two years elapsed before this level of production was reached.

To Prevent War

How well is America prepared and how long will it take America to mobilize? These are the two questions around which any would-be aggressor must key all his calculations. The longer the likely delay in our mobilization the greater must seem the aggressor's chances of success, and therefore, the greater become the risks of war. The surest deterrent against another war would be to so narrow the gap in our mobilization that no enemy could delude himself into thinking he could overwhelm us with a surprise blitz attack.

To overcome fully this time-lag in our mobilization we would have to turn ourselves into a garrison state. Still, we must recognize that in holding fast to a free economy in such critical times, we do, in fact, increase the aggressor's chances of successful blitzkreig. If we **are** to hold to a free economic system, we must redouble our zeal to make certain that every advance precaution is taken so no time would be lost in mobilizing against whatever hits us.

If another war comes we will not have a year or two, while Western Europe stems the foe, to debate what we should do. There may not even be a Pearl Harbor —a blow which falls upon an outlying post and which, while hurting us, sounds the alarm for immediate and concerted action.

The Big Smash

The next war—and all of us pray it will be avoided—is likely to explode all in a big smash. Cities may be all but obliterated. Who knows where Congress will be?

If this stand-by legislation is not enacted and the day of the big smash **does** come, there will not be a person alive who will not bitterly rue this tragic, needless neglect.

Some among you—and I have heard it said there are some in this Administration—while recognizing the need for controls in wartime, may contend that we should wait until the emergency and then see what legislation is needed.

That argument might have made sense 30-odd years ago—not today. During World War I, we had no choice other than trial and error, since this nation had never mobilized for total war before. But two world wars and the Korean war have taught what must be done.

We Know What to Do

The principles underlying a sound mobilization are unchanging. The object is to organize the nation so that, no matter what happens or how things change, the armed forces will get what they need when needed, with the least necessary dislocation to civilian life. This requires allocating our resources so survival takes priority over desire; it requires the power to commandeer, higher taxes, controls over credit and money, over prices, wages, rents and other costs to prevent needless inflation and to see that what is scarce goes not to the fattest purse or the biggest pull but to the most essential needs, without profiteering. The costs of war must be shared equitably by all or internal bitterness will divide our ranks.

These objectives **cannot** be realized unless the mobilization laws are on the books and the nucleus of the administering agencies is in being **before** the emergency breaks out.

Wait and Die

Let me emphasize that, particularly for those who would wait until the bombs are falling and the world is aflame before enacting mobilization legislation.

To wait is to die. To wait is to make certain our mobilization will be needlessly slowed which means lengthening the struggle for victory and dooming some to lose their lives—needlessly. To wait is also to make certain that there will be some degree of cruel inflation—again needlessly.

The pattern of any mobilization is set by the very **first** decision. When war breaks or seems imminent, the normal workings of supply and demand suddenly go haywire. Speculators and hoarders rush in to corner materials they believe will be scarce. Prices skyrocket. It is not long before the economy is out of control.

The Choice of Policy.

One of two general courses of action is possible. The wise course is to act promptly before the economy is out of hand, to preserve as far as possible the equilibrium that existed prior to the emergency. This requires the prompt institution of priority and allocation powers to put first things first, along with an across-the-economy ceiling over all prices, all wages, all rents and all other costs as of the last date in which the normal conditions of supply and demand prevailed. This overall ceiling must be reinforced by monetary and credit controls and by higher taxes, as quickly as they can be enacted.

With the economy under balanced control, you proceed to let your contracts. These contracts can be let more quickly and at a lower cost to the government than if prices and wages are spiralling upward in an inflationary race. When war breaks the procurement officers are under terrible pressure to get production started regardless of cost. You ease these pressures when you stabilize prices.

Some adjustments in the over-all ceiling will always be necessary, both to correct inequities and as defense needs dictate. These adjustments can be made in orderly fashion, without disrupting the over-all balance.

Wait and Fiddle

That is the sound course of action. The other course is to wait and fiddle until the economy is out of control. Only then do you act. Your whole mobilization then becomes a wild chase of a dog after his own tail. You then have to chase the disruptions caused by the government's failure to act in time in a frantic effort to recover the equilibrium which should never have been lost.

The choice, in short, is between acting before serious harm is done and waiting until you are deep in trouble before acting. One course locks the stable door promptly. The other deliberately keeps the stable door open until the horse is stolen.

To wait and fiddle is wrong morally as well as economically. When you invoke an across-the-economy ceiling at the outset of the emergency, your mobilization is set up on a sound moral base. Your very first action obviously treats all segments of the economy alike. None can claim that special favoritism is being shown to business or to labor or to agriculture or to any special interest.

A Just Yardstick

In contrast, under the wait and fiddle approach, you begin your mobilization by destroying your moral base. In letting the economy get out of hand before acting, you unavoidably permit some groups special advantage over others. Each segment of the economy is given a grievance with which to justify its own inflationary demands.

The over-all ceiling, being based upon the economic relationships that prevailed before the emergency, enables you to establish the principle that none shall profiteer from the emergency. If you allow that balance to be disrupted, you lose the moral ground for enforcing this principle. You are left with no standard but expediency with which to resist the clamorous demands of pressure groups.

In brief, the policy of wait and fiddle has the effect of inviting every group to exploit the national peril for its own selfish advantage.

Premium on Selfishness

If the Congress fails to enact an adequate standby mobilization law, whether you realize it or not, you will be putting a premium on selfishness. It is virtually impossible to invoke an over-all ceiling properly, unless the power to act is on the statute books and at least the skelton of the administering agency is in place before the emergency. Without this, the delay that will ensue makes it virtually certain that action will not come until the inflationary race is already under way and your whole mobilization under heavy handicap.

The Lesson of Korea

As those of you who have served on this Committee for some time know, that is what happened at the outset of both the last world war and the Korean conflict. The bill which was submitted to this Committee after the start of the Korean fighting, you will remember, called for piecemeal mobilization. Priority powers were requested without the authority to control prices—a defiance of the very meaning of the word priorities.

Fortunately, this Committee wrote a bill which gave the Administration the power to take over-all action. You gave the Executive more authority than it sought. It was not the fault of Congress that those powers went unused for four months — four months in which soaring prices slashed the buying power of every defense dollar by one-fourth, wiping out the total increase in revenue under the higher taxes that were levied. This needless inflation cut the value of all earnings and savings; it weakened all our colleges and charitable institutions; it aggravated the financial troubles of our cities and states.

If, on the outbreak of the Korean War, an over-all ceiling had been imposed and stiff tax increases levied, we might have been able to finance our defense effort with a balanced budget.

War Not Peace Powers

Certainly we would have gotten more planes, more tanks, more of other weapons — more quickly — and with fewer casualties, also with lower prices and less of a national debt. We would be facing less of a problem of adjustment for the future and be better able to meet whatever trials lie ahead.

During your hearings, a number of conflicting arguments have been presented. In weighing these arguments one thing should be kept in mind. This legislation is intended to give our government the powers it needs to cope with **wartime** conditions. You are **not** writing a bill to give the government power to control the economy under normal conditions.

And so, do not be misled by arguments that are raised against government controls in peacetime. These arguments do not apply to conditions of war. The law of supply and demand is a wonderful thing, but it needs time for its adjustments. In war, the one thing you do **not** have is time.

Indirect Controls Not Enough

Production may seem the only real answer to inflation in a peacetime economy. But in war, the production you strive most valiantly to increase—of military things—aggravates your inflationary pressures. Those who contend that taxes or interest rates can be lifted high enough so that direct controls will not be needed

Continued on page 45

The New Administration And Foreign Trade Policy

By SAMUEL W. ANDERSON*
Asst. Secretary of Commerce for International Affairs

Secy. Anderson, in pointing out foreign trade policy is linked with political, financial, humanitarian and social matters in international field, discusses facts which must be taken into consideration in studying and formulating new Administration's plans. Stresses problem of imbalance between U. S. exports and imports, and its relation to our foreign aid. Indicates important role of reviving U. S. capital and know-how abroad.

America has only recently become the clear focus of world leadership: there is, therefore, no long and tried tradition to serve as a basic framework for guidance. The formulation of proper detailed policies with respect to international, commercial and economic relationships is certainly one of the more difficult fields. To establish policy, careful study must be given to what has been our policy in the past and what effect those policies have had not only upon the affairs of our own country, but the impact of those policies in our increasingly complex relationships abroad. Indeed, these relationships themselves are not only commercial and economic, they are political, financial, humanitarian and social, and cover the whole gamut of our human life. For these reasons, I am sure you will agree that it is the part of wisdom of the President and his Cabinet to move carefully and not too precipitously in this field of policy-making as, indeed, in others. I can assure you, however, that these questions will emerge with increasing clarity as our active work of study and thought goes on.

Samuel W. Anderson

Considerations in Formulating Policies

I thought it might be profitable today to discuss some of the facts which must be taken into consideration in studying and formulating policies. I think in this way I can avoid giving you the impression that conclusions had been reached, as these facts are certainly well known to you in the field of international trade. I have, therefore, elected to spend a brief time discussing one aspect of our international, economic and commercial policy; namely, relationship between exports and imports, and the whole movement of trade between the United States and the rest of the world. For this purpose, I have brought with me two charts which depict the facts as we all know them. First, let us look at the situation since the close of the war, in as simple a way as we can. The first chart shows that for the seven years from 1946 through 1952 this country exported goods and services of a total value of $123 billion. How was this counter-balanced? Obviously, one cannot sell when one is not paid. During the same period, the United States imported and paid for $78 billion. By these dollars, therefore, our friends abroad were able to pay us for 63% of our exports, leaving 37% or $45 billion to be paid for in some other way. During the same period, our efforts abroad were able to obtain from the International Bank, the Monetary Fund and from private dollar sources of investment or advances, about $11 billion. During the same period also, they used up a net of $2 billion in their own monetary had currency reserves. Thus, of the $45 billion gap between exports and imports, $13 billion came from their credit operations or their own reserves. This leaves a balance of $32 billion to be accounted for. During this same period, the United States Government granted aid chiefly to Europe, of $36 billion, which corresponds, except for an unidentifiable deficiency of $4 billion, to the remaining deficiency. This aid was provided chiefly through the machanism of the Marshall Plan, the British loan and other miscellaneous sources. This $36 billion, in general, was dispersed by the United States without receiving any return from it except the intangible and obvious important results of the assistance which we have given to our friends, especially in Europe. I do not believe there are many who contend that the giving away of this money did not serve the interests of the United States. It seems to me clear that it has done so in this most critical and significant postwar period. Nevertheless, it is taxpayers' money, it has come from the pockets of every one of us and if it had not been necessary to do it, each of us would certainly have paid lower taxes. For the seven-year period, it represents $240 for every man, woman and child in the United States. Obviously, with our tax structure as it is, it represents a great deal more than this for most of you.

Let us look at it another way. Supposing that this aid had not been necessary in the interests of our country, and that we had decided not to give it. Let us also suppose—which is probably unrealistic—that our imports during this period would have remained $78 billion. The world would have been in balance alright, but it would have meant instead of exporting $123 billion in the seven-year period, we would have exported $87 billion, or about 30% less than we actually sent abroad. There would, indeed have been unhappines in the export manager's office almost continuously. Actually, of course, the result would have been worse than this because our imports in some appreciable measure, would not have occurred because our friends abroad, particularly in Europe, would not have had the economic strength and surpluses to enable them to export to the United States in the volume actually accomplished. Furthermore, many of these goods and materials would have been kept at home for use of their own peoples under the severe strains which would have operated in the absence of aid. Thus, to the extent that our imports would have been affected correspondingly, our exports would have been further reduced.

Now I know that the picture shown by this chart is an old story to all of you. Nevertheless, I think we must all restudy it because President Eisenhower has said, with a very wide measure of public support in this matter, as in others, that we must proceed is such a way as to make it possible to reduce the amount of unrequited assistance which we have been giving to the world and eventually help to create a situation in which it can be entirely eliminated. Thus, we do face the prospect at some point, not only of relief as taxpayers from the giving away of money, but also a situation in which the rest of the world will have to be in some sort of balance with the dollar area.

Should a Trade Balance Be Achieved at a High Or Low Figure?

I am not going to attempt to describe to you the various directions in which this ultimate result is likely to be achieved, but if we look into the future, it seems to me we should try to visualize whether this country's interest will be best served by having that potential balance occur at a relatively high figure or whether we are prepared to accept a balance at a relatively low figure. In discussing this question with my friends over a period of years, I have found almost no one who expresses a genuine preference for a balanced trade position of the United States at a low figure. The integration of the Western world, the whole movement toward closer and closer economic, commercial and political ties in the Western part of the world, the whole trend of development in this country and abroad, especially in those countries which are far behind the United States in their economic and commercial development, suggests that there is sound reason why the interests of our own people and, indeed, the Western world as a whole will be far better served by a rather wide expanse of international trade, so that the benefits of specialized talents and capacities can be increasingly spread, and so that the progress of mankind in his material world, at least, shall move forward more closely together than would be suggested by a policy of economic isolation. If this, in fact, the genuine preference of Americans, what must we do? If our trade, for instance, is to be balanced at $17, $20, or $25 billion per year—pick your own figure in that range or, indeed, in a higher range—the most active promoters of imports ought to be the exporters. In studying this matter, it has puzzled me that in the continuing rounds of debate which have been going on for the last decade or so, the voice of the exporters has not been heard in the corner of the ring occupied by the importers. Why is this? I suppose the most obvious answer is to be sought in the traditions of the United States before it became a large creditor nation and the world leader. In the 1920s and, indeed, before that, our industries and our businessmen were steeped in selling. The successful businessman more often than not was the man who succeeded in selling increasing amounts of his products, or mining larger and larger quantities of raw materials. The same was true of the farmer. He constantly wished to sell more and more so that his income would be greater. In those days, it was perhaps not necessary, certainly not fashionable, for one to worry deeply about whether or not his customers could command the increasing resources to buy increasing quantities from him. It is true, of course, that his credit department was constantly warning him about individual credit risks, but I think it is fair to say that businessmen of two or three decades ago just went on assuming that if consumer B had bad credit, certainly consumer A and C did not and would continue to buy from him. I am sure that all of you can tell me many other reasons why this kind of a situation has existed. Is it not now time, however, to reassess the situation? Can an exporter escape from a conviction that he must be a pro import man if he wants to continue to sell at a high level? It is, of course, true that he can be a pro unrequited aid man but he is also a taxpayer—frequently a pretty heavy taxpayer.

The Need of Marshall Aid

Let us now look at a chart which has been prepared to indicate some answer to the question of how are we doing. As the world emerged from the war—and, except for the United States, in pretty shaky condition economically—it began to be evident to thoughtful Americans that help was going to be needed. General Marshall, in June of 1947, made the statement which resulted in that extraordinary and unprecedented project called the Economic Cooperation Administration. Even before ECA got started, however, as you will see from this chart, our exports began to expand through the preliminary assistance we gave and through the use of such available reserves as our European friends could command. Europe was getting back into business. It needed raw materials; it needed machinery and equipment. It needed to get back on its feet. Obviously, it could not export much to us; thus our imports, in large measure, came from other areas of the globe. As the Marshall Plan swung into operation in 1948, Europe's relative position began to improve. This improvement, in considerable measure, as you all remember, came about through a reduction in the reliance which had to be placed on the United States to supply goods and services and the substitution of other sources both local and intra-European where the dollar deficit problem was not involved. Successful plans for stimulating intra-European trade were adopted and began to pay off quite handsomely.

In addition, the United States was able to buy from various parts of the world increasing amounts, and thus made dollars available. Then came Korea and the whole shift of the world's economic position entered a period of change. We entered upon our military aid programs to assist our friends in Europe and Asia to strengthen themselves. There programs, of course, are directly comparable in their fiscal effects to unrequited economic aid and they have contributed appreciably to an improvement in the over-all efforts to build defenses abroad. Our own massive efforts in this country also created increasing demands for overseas raw materials and goods and this is, in part, responsible for the improving length of the import bar on the chart you see. Furthermore, because of our own tight situation, it was necessary for us to limit the amounts exported because of the inflationary forces at work at home, as well as the necessity for conserving, for our

Continued on page 41

*An address by Secy. Anderson before the Export Managers Club of New York, New York City, March 17, 1953.

Business Opportunity in Mexico

By HARVEY L. SCHWAMM*
President, American Trust Co., New York

International banker, while expressing great optimism over Mexico's future and noting unsatisfied demand for capital investments, warns American exporters of growing competition for that market from the United Kingdom, Netherlands, Germany, Switzerland and Japan. Asserts exchange situation and collection experience are very favorable.

Since speaking to you last year year I have spent a great deal of time in Mexico, visiting almost every area of the Republic. I am very optimistic about Mexico's economic and political future. Mexico is destined to have an important place in the world's markets. Competition is already becoming keen from European and Asiatic nations particularly from such countries as the United Kingdom, The Netherlands, Federal Republic of Germany, Switzerland and Japan. Recent expositions and fairs by these countries brought them orders beyond their greatest expectations. Mexico is a tremendous market for the American exporter but his success there will be determined by his efforts and abilities to meet the competition from the restored productivity and experience of such countries as I have just mentioned.

Harvey L. Schwamm

During 1952 the United States maintained its position as the leading customer and supplier of Mexico with a small increase in the value of its purchases and a slight decline in the value of its sales to Mexico. However, American purchases slackened during the second half of 1952.

Mexico's overall value of trade with European countries during 1952 was generally lower. Trade with Latin American countries declined in both exports and imports as compared with the year before, with a favorable balance to Mexico.

Favorable Exchange Situation

The dollar exchange situation in Mexico today is good. The excessive demands for foreign exchange and the rumors concerning the stability of the peso have been completely allayed. The reserves of the Bank of Mexico are slightly above the same period a year ago. It should be noted that despite the large public works program and the financing which that entailed and the rising productivity of the country, there resulted only a slight monetary expansion due to the credit policy followed by the government through the selective credit controls of the Bank of Mexico. Revenues from tourist trade reached an all-time high and corrected an adverse balance of trade to a favorable balance of payments.

No limitations or restrictions exist to dealing in or owning of foreign exchange, gold, or foreign securities.

Export permits are now required to prevent the export of some agricultural products and certain raw materials in order to protect domestic users and prevent a rise in domestic prices of such products.

Collection experience with Mexico continues to rate as one of the best in the foreign field. The usual variety of credit terms are employed, ranging from open accounts to sight letters of credit, depending upon the credit standing of the individual customer.

The recent action of the Mexican Treasury Department in announcing the temporary suspension of payments was taken merely as an auditing precaution and not as an indication of lack of dollars.

The most significant Mexican import declines last year were in railroad boxcars, steam engines, tractors, motors and machinery, pumps, plows, locomotives, rolling stock, valves, accessories and parts for machinery. There were also declines for non-essential and luxury goods in which there are overstocked inventories. Price declines for certain goods, such as pharmaceuticals, also helped the country to have a higher volume of those goods. Imports of foodstuffs and machinery to improve the output of foodstuffs and beverages together with fuel, lubricants and electric power equipment increased.

Machinery, Equipment, and Raw Materials, Needed

Mexico's industrialization process will still demand large capital investments in imported machinery, equipment and raw materials, but in a declining volume as the productiveness of the country increases. This may create an adverse trade balance but I am confident it will be corrected through the increasing tourist trade, foreign investment and other invisible services.

American exporters must recognize, as I previously stated, the increasing competition from the European and Asiatic exporters and they must be prepared to meet the more liberal credit terms offered by these exporters.

*Summary of talk by Mr. Schwamm before the Export Managers' Club of New York, New York City, March 17, 1953.

With Ft. Wayne Secs.

(Special to THE FINANCIAL CHRONICLE)

FT. WAYNE, Ind.—Anthony W. Sowers is now connected with Fort Wayne Securities Corp., 808 South Clinton Street. He was formerly with Slayton & Company, Inc.

Paragon Optical Stock Offered at $1 a Share

Degaetano Securities Corp., New York, are offering publicly an issue of 300,000 shares of common stock of Paragon Optical Co., Inc. at $1 per share "as a speculation."

The net proceeds from the sale of the shares are to be used for expansion purposes, to increase production and for additional operating capital.

Paragon Optical Co., Inc. was incorporated in Puerto Rico, on Oct. 3, 1951. It was organized to carry on the business of manufacturing ophthalmic lenses and instruments relating to scientific, medical and ophthalmic research. Thus far, the corporation has limited its manufacturing to the production of spherical single vision lenses.

IBA Institute of Investment Banking To Open in Philadelphia March 30

CHICAGO, Ill.—One hundred fifty representatives of member houses, Investment Bankers Association of America, are expected to attend the the opening session, March 30-April 3, of the newly established Institute of Investment Banking, sponsored by the Association in cooperation with the Wharton School of Finance and Commerce at the University of Pennsylvania, Philadelphia, it was announced by Ewing T. Boles, The Ohio Comany, Columbus, President of the I. B. A.

Ewing T. Boles

The Institute is an outgrowth of the highly successful Investment Banking Seminars held in Philadelphia under the same sponsorship in 1951 and 1952 and is designed to provide a permanent executive development program for the industry.

Registrants will be quartered in the Penn-Sheraton Hotel and will attend the Institute sessions on the University of Pennsylvania campus one week each spring for three consecutive years for a series of integrated courses, supplemented by selected readings. Upon completing the three-year program enrollees will be awarded a Certificate of Merit in recognition of their specialized training in the investment banking business.

Norman Smith, Merrill Lynch, Pierce, Fenner & Beane, New York, Chairman of the I. B. A. Education Committee and head of the Institute Planning Committee, is in charge of the project.

According to Mr. Smith, "The Institute has been especially designed to develop leadership and to increase the efficiency of all those in attendance. Both internal and external problems confronting the industry will be covered by leading experts in business, government, educational circles, and investment banking. Registrants will benefit not only from participation in the discussions but will have the further advantage of meeting and exchanging views with members of the industry from all parts of the country."

When the preliminary announcement of the Institute was made early this year member houses responded enthusiastically; and in view of the interest shown and the requests for reservations the originally established quota of 75 registrants for the first year group was successively increased to 125 and then to 150 registrants. Ultimately first, second, and third year groups will meet annually during the same week.

Significant topics on the program include:

"Recruiting and Selecting Personnel"; "Sales Training Methods"; "Public Relations and Securities Advertising"; "The Sales Meeting and Selling Techniques"; "Management Control of Securities Firms—Bringing Gross Down to Net"; "Effective Selling of Mutual Investment Funds"; "Municipal Bonds, Revenue Bonds"; "The Outlook for—The Utility Industry, the Oil and Gas Industry"; "Tools of Economic Analysis, Basic Factors in Investment Analysis, Current Economic Problems, Economic Outlook."

REGISTRANTS

ARIZONA

Phoenix—Joseph L. Refsnes, Refsnes, Ely, Beck & Co.

CALIFORNIA

Los Angeles—Robert W. Gale, William R. Staats & Co.; Tyler G. Gregory, Dean Witter & Co.; Robert Revel Miller, Revel Miller & Co.; David C. Pearson, Bingham, Walter & Hurry, Inc.

San Francisco—John W. Mackey, First California Company; Wendell W. Witter, Dean Witter & Co.

COLORADO

Denver—Paul W. Gorham, Garrett-Bromfield & Co.; Bern Norpoth, Bosworth, Sullivan & Company.

CONNECTICUT

New Haven—Charles G. Crump, Chas. W. Scranton & Co.; Wilbur G. Hoye, Chas. W. Scranton & Co.; Frank D. McKeon, Chas. W. Scranton & Co.

DISTRICT OF COLUMBIA

Washington—Norman Farquhar, Alex. Brown & Sons; Fred G. O'Fiesh, Hirsch & Co.

FLORIDA

Clearwater—Harold C. Martens, A. M. Kidder & Company.

ILLINOIS

Chicago—Robert M. Clark, Blunt Ellis & Simmons; James G. Dern, Smith, Barney & Co.; Robert Hixon Glore, Glore, Forgan & Co.; Edde K. Hays, Central Republic Company; Victor O. Langen, Mason, Moran & Co.; Kendall Lutes, A. C. Allyn and Company, Inc.; Henry D. MacFarlane, First Securities Company of Chicago; George J. Murphy, Central Republic Company; Harvey H. Orndorff, McCormick & Co.

INDIANA

Indianapolis—Kenneth S. Johnson, Indianapolis Bond and Share Corporation.

IOWA

Davenport—J. H. Ruhl, Quail & Co.

KANSAS

Topeka—Arthur H. Saville, Jr., Beecroft, Cole & Company.

KENTUCKY

Lexington—Thomas B. Kessinger, The Kentucky Company.

Louisville—Thomas Graham, The Bankers Bond Co.

MAINE

Bangor—Cornelius J. Sullivan, Pierce, White & Drummond, Inc.

MARYLAND

Baltimore—C. Prevost Boyce, Jr., Stein Bros. & Boyce; Joseph Wilmer Butler, Baker, Watts & Co.; F. Barton Harvey, Jr., Alex. Brown & Sons; William Upshur Hooper, Jr., Mead, Miller & Co.; Donald M. Peek, E. R. Jones & Co.; W. James Price, Alex. Brown & Sons; Truman T. Semans, Robert Garrett & Sons; Joseph W. Sener, Jr., John C. Legg & Company; William S. Warner, Stein Bros. & Boyce.

MASSACHUSETTS

Boston—Robert A. Blakeslee, Eaton & Howard, Incorporated; Eugene Merrill Darling, Kidder, Peabody & Co.; Alfred D. G. Fuller, Vance, Sanders & Company; William G. Harding, Coffin & Burr, Incorporated; Carl Jordan, R. W. Pressprich & Co.; James L. Phillips, Vance, Sanders & Company; Marsom B. Pratt, Estabrook & Co.; Henry Wheeler Spencer, Kidder, Peabody & Co.

MICHIGAN

Detroit—William P. Brown, Baker, Simonds & Co.; Harry A. McDonald, Jr., McDonald-Moore & Co.

MINNESOTA

Minneapolis—James W. Davant, Paine, Webber, Jackson & Curtis; Frank A. Warner, J. M. Dain & Company; Clinton C. White, Piper, Jaffray & Hopwood.

St. Paul—Kenneth D. Aws, Irving J. Rice & Company; Robert D. Field, Irving J. Rice & Company.

MISSOURI

Kansas City—Frank L. Champion, Lucas, Eisen & Waeckerle, Inc.

St. Louis—A. E. Gummersbach, Dempsey-Tegeler & Company; Edward D. Jones, Jr., Edward D. Jones & Co.

NEW YORK

Buffalo—Edward L. Brown, The Marine Trust Company of Western New York; Howard H. Weber, Jr., Trubee, Collins & Co.

New York—Philip K. Anthony, Kuhn, Loeb & Co.; Elwood D. Boynton, Hallgarten & Co.; William R. Caldwell, The First Boston Corporation; Norman de Planque, W. E. Hutton & Co.; Robert M. Gardiner, Reynolds & Co.; Roger T. Gilmartin, Merrill Lynch, Pierce, Fenner & Beane; Clinton J. Gregory, Guaranty Trust Company of New York; George W. Hall, Wm. E. Pollock & Co., Inc.; Glenn Hartranft, Clark, Dodge & Co.; John S. Hilson, Wertheim & Co.; Edward W. Holland, Stone & Webster Securities Corporation; Chandler Hovey, Jr., White, Weld & Co.; Kenneth J. Howard, J. A. Hogle & Co.; J. Hindon Hyde, Henry Harriman & Co.; Alexander R. Johnston, Lord, Abbett & Co.; Malcolm S. Kelley, American Securities Corporation; Leon Lees, Jr., Ira Haupt & Co.; Gerson D. Lublin, H. Hentz & Co.; A. Hunt Mackwald, W. E. Hutton & Co.; Roland Merrell, Lee Higginson Corporation; Richard B. Montanye, Laurence M. Marks & Co.; Edward J. Morehouse, Harriman Ripley & Co., Incorporated; C. F. Morgan, Morgan Stanley & Co.; Edmond N. Morse, Smith, Barney & Co.; Henry Necarsulmer, Kuhn, Loeb & Co.; Charles W. Rendigs, Jr., Bache & Co.; Avery Rockefeller, Jr., Dominick & Dominick; Robert Schlesinger, Reynolds & Co.; John S. Stine, Ira Haupt & Co.; David B. Stone, Hayden, Stone & Co.; George H. Strong, Smith, Barney & Co.; Alan T. Unger, Lee Higginson Corporation.

NORTH CAROLINA

Charlotte—R. Stuart Dickson, R. S. Dickson & Co.

Durham—T. S. White, Jr., First Securities Corporation.

Greensboro—Marshall H. Johnson, McDaniel Lewis & Co.

OHIO

Cincinnati—Robert W. Reis, Seasongood & Mayer; R. W. Thornburgh, The W. C. Thornburgh Co.

Cleveland—Albert A. Augustus, Ball, Burge & Kraus; John O. Doerge, Saunders, Stiver & Co.; William S. Gray, Wm. J. Mericka & Co., Inc.; Boynton D. Murch, Fulton, Reid & Co.

Columbus—Charles S. Andes, The Ohio Company.

South Euclid—John D. Wilson—Distributors Group, Incorporated.

PENNSYLVANIA

Altoona—Joseph C. Glasgow, Kidder, Peabody & Co.

Philadelphia—Ellis Barnes, Merrill Lynch, Pierce, Fenner & Beane; Robert C. Bodine, DeHaven & Townsend, Crouter & Bodine; W. W. Keen Butcher, Butcher & Sherrerd; T. E. Eckfeldt, Stroud & Company, Inc.; Richard W. Hole, R. W. Pressprich & Co.; Edmund A. Mennis, The Wellington Company; William T. Poole, Schmidt, Poole, Roberts & Parke; Edward G. Roderick, Stein Bros. & Boyce; Edward Starr, III, Drexel & Co.; John W. York, Drexel & Co.

Pittsburgh—Kirkwood B. Cunningham, S. K. Cunningham & Co., Inc.; George H. Kingsley, Jr., Singer, Deane & Scribner; Ralph S. Richards, Jr., Kay, Richards & Company.

SOUTH CAROLINA

Spartanburg—Henry J. Blackford, Jr., A. M. Law & Company.

TEXAS

Dallas—Hugh Bradford, Southwestern Securities Company; John H. Rauscher, Jr., Rauscher, Pierce & Co., Inc.

Houston—James L. Bayless, Rauscher, Pierce & Co., Inc.; C. P. Duson, Jr., Rotan, Mosle and Moreland; Douglas E. Johnston, Fridley & Hess; Joseph Rice Neuhaus, Underwood, Neuhaus & Co.; Philip R. Neuhaus, Underwood, Neuhaus & Co.; Edward Randall, III, Rotan, Mosle and Moreland.

VIRGINIA

Charlottesville—Coleman E. Trainor, Peoples National Bank.

Lynchburg—James L. Morris, Scott, Horner & Mason, Inc.

Richmond—Harry C. Diggs, Mason-Hagan, Inc.; John C. Hagan, III, Mason-Hagan, Inc.; Mark A. Smith, F. W. Craigie & Co.; Claude G. Thomas, Distributors Group, Incorporated.

WISCONSIN

Milwaukee—William L. Liebman, Loewi & Co.; Fred G. Morton, The Milwaukee Company.

CANADA

Hamilton—Robert N. Steiner, A. E. Ames & Co. Limited.

Montreal—Frederick Ellswood Griffin, Greenshields & Co. Inc.

Toronto—T. Gordon Crotty, Merrill Lynch, Pierce, Fenner & Beane; T. P. N. Jaffray, Dominion Securities Corpn. Limited.

NOTE: This list is preliminary. A number of member firms have made reservations for one or more representatives whose names have not yet been supplied.

Oscar Chapman Dir. Of Penn. Coal & Coke

Former Secretary of the Interior Oscar L. Chapman on March 24, 1953, was elected to the Board of Directors of the Pennsylvania Coal & Coke Corporation. Mr. Chapman, who recently formed the Washington law firm of Chapman & Wolfsohn, first entered the service of the Government in 1933 as Assistant Secretary of the Interior under President Roosevelt. He was later appointed Under Secretary, and on Dec. 1, 1949 attained full cabinet stature under President Truman. He remained as Secretary of the Interior until the change of administration. According to L. D. Silberstein, President and Chairman of the Board of Pennsylvania Coal & Coke Corporation, Mr. Chapman will also act as Consultant on problems that involve the company's newly broadened program of development of certain natural resources.

Oscar L. Chapman

From Washington Ahead of the News

By CARLISLE BARGERON

Once again a controversy has broken out as to whether members of Congress should be permitted to look at FBI security files. Between Truman and Congress the matter developed a lot of heat. The Eisenhower Administration has unbent to an extent, and while on the surface there is no bitterness between the President and those Senators who demanded to see the files on "Chip" Bohlen, Ambassador-designate to Russia, there is considerable feeling behind the scenes.

Carlisle Bargeron

The point is always made when these conflicts come up that to hand over to Congress the FBI's report on this or that person would be a grave injustice to the person involved because the FBI does not evaluate the stuff it gathers but simply records it for whatever it is worth—rumors, anonymous reports, sheer gossip and whatnot. It is not the business of the FBI, it is argued, to pass upon the information it gathers, to separate the wheat from the chaff and report upon the results. It simply turns its stuff over to the Cabinet officer or administrative head concerned and it is for him to make the decision. In the case of Bohlen there is a serious question as to whether he wouldn't be better off with the entire file spread across the front pages of the newspapers. Every possible derogatory rumor gained circulation, all sorts of suspicion was created and to my mind the man's reputation was seriously damaged. Secretary of State Dulles summarized the FBI report for members of the Senate Foreign Relations Committe and what he evaluated as nothing more than groundless gossip was passed on to these Senators as evidence of the nature of the file.

What seems to be lost sight of in all these squabbles about the FBI files is that we have come to be in this country in the position of having a highly respected government agency going around and collecting gossip and hearsay against citizens, retaining every little bit of dirt in its files and then when asked by an "authoritative" person, turnings the dirt, unrefined, over to him.

Even when chasing a criminal there would seem to be not the slightest reason for a large part of the material which the FBI gathers, not only gathers, but saves. In its file on Bohlen, who is certainly not in this category, there was, as disclosed on the Senate floor, an anonymous letter from a man who claimed to have a sixth sense. All he had to do, he claimed, was to look at Bohlen and tell he was not a good security risk. Why would the FBI have kept this letter, included it as part of the screening of Bohlen? I doubt there is a Police Department in the country that would have paid more than passing attention to anything like this regardless of the kind of case they were dealing with.

However, this article is not primarily about Mr. Bohlen. He was not an appointment that a Republican Secretary of State should have made and it didn't sit well with the majority of Republican Senators. Their attitude had nothing to do, however, with his FBI security file. Mr. Dulles showed considerable naivete when he insisted, in defense of his appointment, that he was really demoting him from a policy making post, the inference being a post in which he could do some harm, to a lesser, non-policy making post. The fact is that Mr. Dulles has been mixed up with the State Department for so long that he doesn't see any difference between a Democrat and a Republican. The agitation for Bohlen's appointment came from New Deal or "Liberal" columnists and editors. He was the most logical man for the post, it was contended, because he speaks Russian and knows the Russian mind. Why not name one of the veteran newspaper correspondents stationed in Moscow? Very few of our diplomats speak the language of the country to which they are assigned, which is not an ideal situation but a situation nevertheless, and knowledge of the language won't do Bohlen any good in Russia.

But on the question of these FBI files, I have had several visits from young FBI agents during the past five years, checking on an applicant for a government job. One of these visits had to do with a former next door neighbor of mine and a friend. I was in a gossipy mood and began telling how during the meat rationing of the war he started raising chickens and was determined I would never get any because I wouldn't do any of the work involved in raising them. I happened to look up and the young agent was taking down every word I said.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—George A. Salinger has been added to the staff of Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was previously with Dean Witter & Co.

W. W. Burke Opens

BALTIMORE, Md.—W. Windom Burke has opened offices at 3903 Beech Avenue to engage in the securities business.

E. E. Mathews Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Alfred R. Del Pozzo is now with Edward E. Mathews Co., 53 State Street.

Let's Return to Old-Fashioned Community Self-Reliance

By WILLIAM A. McDONNELL*

President, First National Bank, St. Louis, Mo.

Asserting return to the old-fashioned virtue of community self-reliance will mean end of non-essential Federal spending, of unbalanced budgets, and of cheapening of the dollar, mid-west banker decries the individual selfish interest which endeavors to obtain Federal favors for his community. Urges communities refrain from asking for government help, and, instead, provide their own civic improvements.

I firmly believe that nothing is more important to the preservation of the American system than a return to the old-fashioned virtue of community self-reliance and all that that term implies. For it implies an end to non-essential Federal expenditures, an end to unbalanced budgets, an end to the cheapening of the American dollar, an end to the further centralization of power in Washington, an end to the drift toward Socialism—in fact, an end to the undermining and destruction of the principles and concepts of government upon which our government was founded.

Wm. A. McDonnell

Now these are general terms. Let us be more specific. Let's talk about the matter of a balanced Federal budget. The present Administration is dedicated to the objective of cutting the expenditures of government to meet the income of government. The head of the Budget Bureau is Joseph M. Dodge. I know Joe Dodge—he is a personal friend of mine. No man in the United States is better qualified for the job he has accepted. He did not seek this job—in fact, he accepted it at great personal sacrifice. He has no political ambitions. His sole ambition right now is to cut the fat out of government spending so as to achieve a balanced budget. In this program he has the full backing of the President of the United States, but, neither Joe Dodge nor President Eisenhower, nor the combined Cabinet can achieve this worthy objective without the backing of the Congress, and the Congress will not support such a program without the backing of the American people.

The reason for this is that ours is a representative form of government. Those who conduct the affairs of the Federal Government represent the people. They do not live and move in a detached world insulated from the desires of the people. They are directly responsive to those desires.

As David Lawrence recently pointed out: "It is an oversimplication to say that a new Administration or a triumphant party in Congress has been given the full responsibility for government. The responsibility in a real sense extends to the people as well.

"For the people are in truth a part of the governing process. They alone can affirm or repudiate an Administration. They are, therefore, the most vital influence in the operation of government from day to day."

It's Up to the People

If the American people want economy in government—a balanced budget; a sound dollar—they can have these things. All we have to do is let our Representatives in Washington know it. But we must be sincere about it. We must not engage in double talk, asking for economy in one breath and exerting influence for spending in the next. And we must be ready to make the sacrifices which are necessary to have these things. If we are to have economy in government we must begin at home—at State and community levels. It will never begin in Washington.

Now, the trouble in this country has been that everyone has wanted economy in government provided it did not affect him or his hometown or community. We have wanted economy in general but not in particular. We have approved economy as an abstract virtue but we have been unwilling to have it pinch our own foot. We have been preaching pious precepts with our fingers crossed. It is easy to talk about restraint until it reaches home. Then, what is pork barrel for the goose becomes "essential civic progress" for the gander.

When he took office in January, Mr. Dodge, the Director of the Budget, asked each government agency to review its 1954 budget requirements and report back to him by March 2, as to how those requirements could be trimmed down from original estimates. March 2 has come and gone and there is no official announcement yet as to how much these individual requests were pared down. The unofficial word we get is that little progress has been made—that the going is tough; that Mr. Dodge is struggling against the deeply-entrenched spending habits and modes of bureaucratic living which won't quickly be changed.

When he took office, Mr. Dodge also made another request of each government administrator. He ordered each department and agency head in Washington to survey spending in three fields—personnel, construction, and spending under programs which have been established by law. He asked that no additional person be added to the Federal payroll unless a real need for that person's services exists. He asked that no new construction programs be started unless they were absolutely essential. And finally, he asked that projects already in progress be consummated in as economical a manner as possible.

These days, while the budget estimates and spending commitments are being weighed and readied for Congressional action, are highly important days to you, and me, and to all who believe that Federal spending can be reduced and that a start must be made.

Let Local Communities Act

The *least* we can do is refrain from asking for government help. The *most* we can do is tell Washington that we do not want—and in fact, will reject—any offers of unnecessary government spending in our area. This may require that we pass up some of the Federal services to which we have become accustomed. It will mean that we forget about that pet local project we wanted the Federal Government to pay for. I do not believe, however, that it means we have to pass up any of the civic improvements which our individual communities really need. We can find means of doing the job ourselves and not rely on Washington for help. That isn't bravado. That's just plain good sense. Furthermore, it is good business. After all, Federal aid is nothing more than our own money coming back to us, less the cost of collection and less the cost of dispersal. It makes better sense to figure out how to put that money to work for the community in the first place, rather than paying all the freight on it for a round trip to Washington.

A balanced budget is no longer just a pleasing state of financial equilibrium — it's an essential weapon in a world-wide struggle of opposing systems of government. A balanced budget is impossible without self-reliant action at the local level. Community self-reliance, therefore, is not only a civic virtue—it has become a vital necessity if we are to preserve our brand of freedom.

*Remarks by Mr. Donnell at the Annual Meeting of the National Council for Community Improvement, St. Louis, Mo., March 10, 1953.

C. W. Brown Joins B. C. Morton & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles W. Brown has become associated with B. C. Morton & Co. of Boston. Mr. Brown was formerly an officer of Slayton & Company, Inc. Prior thereto he was with Reynolds & Co. in Chicago.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

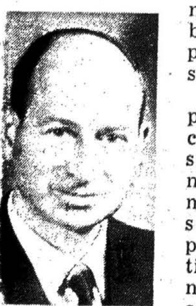
ST. LOUIS, Mo. — Sanford L. Barnett is now associated with King Merritt & Co., Inc. He was previously with Slayton & Company, Inc.

How Protective Are Protective Stocks?

By RALPH A. BING
Sutro & Co., San Francisco, Calif.
Members New York Stock Exchange

Defining protective stocks as equities of mature companies with emphasis on stability rather than growth, Mr. Bing holds, in order to avoid impacts of deflation or inflation, investors should normally incorporate protective stocks in their portfolios. Furnishes data on protective stocks with reference to price fluctuations, earnings and dividends. Points out the distinction between protective stocks and growth stocks is not clear-cut, and economic growth does not necessarily mean investment growth for stockholders.

In a deflationary crisis, cash, bonds and protective stocks provide the investor with the indispensable financial "parachute" to survive the nosedive of business profits and stock prices.



Ralph A. Bing

Although protective common stocks have not been immune to considerable price fluctuations, they normally show less volatility than other stocks with regard to market prices, earnings and dividend distributions. Compared with high grade bonds and savings accounts, they offer the advantage of a significantly higher current yield, after tax, to all but the individual investors in high income brackets.

Since there is no foolproof scientific method of accurately predicting the start, duration, and extent of specific market fluctuations, it is for investors usually not indicated to fully retire into the safe but frugal storm cellar of cash and bonds each time that clouds seem to be gathering on the business and market horizon, nor to abandon all protective positions whenever the skies look clear. Thus, investors will show interest in protective stocks as long as stock market forecasting remains unreliable—that is, probably forever.

What makes a stock "protective"? It is comparative stability of earnings that makes for relatively steady dividend payments, and also tends to minimize price fluctuations of the stock.

Therefore, among stocks usually characterized as "protective," are the equities of leaders in industries that enjoy a high degree of business stability. Those are mostly industries offering to the consumer indispensable daily services, such as gas, electricity, and telephone, or non-durable goods for which demand is relatively inelastic, such as basic food items, "5¢ and 10¢ store" articles, or low-priced habit-forming articles like tobacco products and chewing gum. Another industry with assured demand is the gold mining industry, whose business fortunes tend to rise in times of deflation when production costs decline, while the sales price of monetary gold sold to Uncle Sam remains unchanged.

While stability of demand for the company's products or services is a basic ingredient that tends to make equities protective, it is, of course, not the only factor. A flexible cost structure may result in comparatively good earnings stability even in an industry which faces somewhat more volatile demand conditions. Thus, the performance of leading show producers over the years has been characterized by a relatively high degree of stability, due in part to the fact that equipment rentals, a big cost factor, are adjusted to output. Another element of cost flexibility making for profit stability is a low labor cost factor, which prevails, for instance, among certain food packers, dairy companies, retail chains, tobacco companies, and operating electric and gas utility companies.

Finally, there is the fact that once a stock's reputation as protective has been established on past performance, its market tends to be supported by sustained investors' demand.

Experience of the Past

Without further probing into the fundamentals that make certain stocks protective, let us see how much protection has in the past been offered by stocks of recognized protective qualities. In order to minimize the influence of individual fluctuations on the statistical picture, Table I presents the market, earnings and dividend declines of entire stock groups generally considered protective during (1) the 1929-32 collapse; (2) the brief but sharp 1937-38 downswing; and (3) the mild, brief, and partial recession of 1949.

In order of facilitate comparisons, similar data are shown for a few "growth" groups, and some of the more cyclical stock groups; included in the latter are two individual stocks, U. S. Steel and General Motors, each of which may well be considered representative their entire respective industries.

Generally, the statistical material shown in Table I has been compiled on the stocks included in Standard & Poor's stock price indexes; although, especially for the 1929-32 dip, a number of these stocks were, for technical reasons, omitted in this compilation, the material presented is extensive and coherent enough to offer a basis for rough comparisons. Most of the equities included in protective stock groups are of investment caliber.

An analysis of these figures permits the following conclusions as to stock group behavior during those three recessions:

First: Protective stock groups, with a few exceptions, have acted exactly as they are expected to act, showing lesser market declines than traditionally cyclical stocks. Individual stocks within most groups differed of course rather widely in performance, due to such factors as trade position, equity ratios, efficiency of operations, and so on.

Second: Protective stock groups have been much more stable earningswise than marketwise, and in turn, have shown greater stability in dividend distributions than in earnings. In contrast, cyclical stocks frequently declined earningswise even more sharply than marketwise, and their dividend distributions have been highly erratic. In other words, during recessions, protective stocks have outperformed cyclical stocks earningswise and dividendwise to a greater extent than marketwise.

Third: The growth groups tabulated performed rather closely to the cyclical groups in earlier drastic downturns, while lately their record bears a closer resemblance to protective stocks. As economic growth intensified during the forties, growth stocks reached a new peak in popularity. The chemicals in particular did not show any profit decline in 1949, as their vigorous postwar growth phase continued without interruption.

Fourth: The respective rank of protective groups as top performers varied somewhat from one recession to the other, and also showed differences in rank between their market, earnings and dividend scores. However, examination of the figures reveals a consistently high stability score for the tobacco groups, a relatively good over-all score for operating utilities, a record of very stable market performance for shoe manufacturers, and good earnings and dividend scores for the few stocks grouped as gold mining in U. S., and dairies.

Fifth: The market performance of such a prominent defensive group as the operating utilities was poor during the 1929-32 collapse in contrast to the group's creditable market performance in subsequent market setbacks. As illustrated in Table II, at their 1929 highs, utility stocks were selling at unreasonably high price-earnings ratios; in fact, some of those ratios were as high as, or even higher than the ones then prevailing for some growth stocks. Their subsequent market breaks simply illustrate the truism that a "protective" stock bought at an excessive price is marketwise not protective.

Prices of Growth Stocks a Factor

In fact, for most of the typically protective stocks, it is true that it is especially risky to buy them at prices which are excessive in relation to prospective earnings power. This is so because the majority of defensive stocks are equities of relatively mature companies which excel by stability rather than dynamism; consequently, it will take the per share earnings of such companies far longer to catch up with excessive stock market prices than may be the case for typical growth stocks. As shown in Table III, those who bought typically protective stocks at their 1929 highs have (with a few exceptions due to above-average growth) never been able to fully recuperate their initial investment in the market. In contrast, those who bought the typical growth stocks at their 1929 highs have, in most cases, increased their principal, based on recent market prices. (One of the signal exceptions is General Electric, which, at the 1929 high, sold at no less than 45 times that year's earnings.)

No Clear Cut Distinction For Growth Stocks

However, the distinction between protective stocks and growth stocks is far from always being clear-cut. Some defensive groups, like the tobaccos, were in a dynamic growth phase in earlier decades and have only gradually lost some of that dynamism. Others, like certain chain stores, are still growing at a fairly rapid pace.

Economic growth does not necessarily result in investment growth for the stockholder. The country's electric and gas utility industry entered a phase of sharp expansion in the forties, which continues unabated in the fifties. With the factor of competition normally absent, or of minor importance, no industry is in a better position to combine stability with economic growth. However, due to the limited capital returns allowed by regulatory bodies, the utility industry has to rely very heavily on outside financing for its expansion and, consequently, has found it very difficult to translate its economic growth into benefits for the investor in the form of a proportionate increase in per share earnings and dividend payments. Most of the utility systems which have been able to increase earnings faster than equity capital—such as Central & South West Corp., Southwestern Public Service, Texas Utilities, or Houston Lighting & Power—are operating in some of the country's principal "growth areas" and have the benefit of comparatively friendly regulatory bodies. Whether the natural gas pipe lines will join this privileged groups of utilities, combining defensiveness with a measure of growth for the investor, will depend on the future policies of the Federal Power Commission.

The next business recessions, if and when they come, may offer some clues as to what extent the lasting expansion in both welfare and defense spending has made the American economy less sensitive to cycles, and if so, to what extent the gap between leading "cyclical" stocks and protective stocks may have been narrowed.

Basically, the investor is in need of a two-front protection, against the alternating threats of deflation and inflation. Protective securities afford some cover on the deflationary side. In order to secure a measure of protection from inflation, the investor has to give sufficient weight to judiciously chosen growth stocks unless considerations of ample current yield happen to be overriding.

TABLE I

Comparative Percent Changes of Average Market Prices, Earnings and Dividends Paid per Common Share

Industry or Trade—	1929-1932 Percent Changes (Round Up) Market '29 High to '32 Low	Earnings Per Share	Divs. of Com.	1937-1938 Percent Changes (Round Up) Market '37 High to '38 Low	Earns. per Share	Divs. of Com.	1948-1949 Percent Changes (Round Up) Market '48 High to '49 Low	Earnings Per Share	Divs. of Com.
1. *Some Protective Stock Groups*									
Operating Utilities	—79%	— 34%	+ 2%	—49%	— 10%	—14%	— 8%	+25%	+ 6%
Nat. Gas Distributors	89	— 41*	— 3*	—41	— 10	— 2	— 9	— 3	+10
Telephone & Tel.	—76	— 63a	—17b	—41	— 46a	—31b	—13	—34a	—21b
Food—Packaged	—75	— 45	+37c	—48	+ 12	— 7	—12	— 2	— 4
Food—Dairies	—80*	— 78*	+ 3*	—48*	+ 12*	—10*	—13*	+19*	+43*g
Food—Bread & Cake	—92	— 81*	—56*	—66	+108*	+43*	—19	—30	—18
Tobacco Products	—58	+ 10d	+10	—37	+ 1	— 1	— 6	+ 9	+19
Shoe Manufact.	—71	— 57	+ 1	—40	— 42	—21	— 9	—21	— 1
Retail—5c & 10c	—79	— 61	+ 6	—46	— 21	n.c.	— 9	—13	—12
Gold Mining—U. S.	n.a.	+138e*	+63e*	—10*	+ 15*	+ 1*	—16*	— 9*	+ 4*
Casualty Insurance	—92	—141	—51	—47	— 9	+14	— 7	+ 7	+ 5
2. *Some Growth Stock Groups*									
Chemicals	—88	— 69	—33	—46	— 46	—31	—11	+ 5	+19
Rayon	—91*	—136*	f	—71*	— 63*	—94*	—11*	—37*	— 1*
Petroleum—Integrat.	—81	— 97	—58	—44	— 50	—16	—23	—30	+14
3. *Some Cyclical Stock Groups*									
U. S. Steel	—93	—152	—94	—70	—147	—100	—30	+35	+35
General Motors	—92	—104	—66	—64	— 51	—60	—21	+51	+78
Paper	—94	—127	—53	—74	— 95	—56	—32	—13	—11
Retail—Dept. Stores	—92	—162	—63	—66	— 44	—46	—18	—22	— 4

*Based on three stocks, or less. n.c. No change. n.a. Not available. a Exclusive of Western Union, percent changes in earnings were —50%, —12%, and +16%, respectively. b Exclusive of Western Union, percent changes in dividends paid were nil, —7%, and +6%, respectively. c Exclusive of Standard Brands, there was a 9% average decline. d Exclusive of Lorrillard, which showed a 597% increase in earnings; including Lorrillard, the average increase was 127%. e Homestake Mining only. f Industrial Rayon paid nothing in 1929, but $1 in 1932; Celanese made no payments in either year. g Exclusive of Beatrice Foods, the average increase was 14%.

NOTE: Percent declines of earnings in excess of 100% denote changes from net earnings to net deficits.

TABLE II

	1929 High, Times '29 Earn. p. Sh.	Stk. Mrkt. % Decline '29 High to 1932 Low
Some Protective Stocks		
Am. Tel. & Tel.	20.9	78%
Cleveland El. Ill.	27.0	84
Cons. Ed. of N. Y.	38.0	83
Pacific Gas & El.	34.6	83
Pacific Lighting	32.0	86
Some Growth Stocks		
Dow Chemical	21.7	79
du Pont	32.6	91
General Electric	45.0	92
Parke, Davis	33.0	80
Union Carb. & C.	35.5	89

TABLE III

	1929 High	1952 High	Percent Changes 1929-1951 P. Sh. Earn.	1929-1952 Cash Div. Paid P. Sh. Com.
1. *Some Protective Stocks*				
Am. Tel. & Tel.	319¼	161⅜	— 28.0%	n.c.
Am. Tobacco	116¼	66⅞	— 3.4	— 20.0%
Consol. Ed. of N. Y.	183¼	39⅛	— 40.5	— 38.5
Corn Prod. Refining	126⅜	73	— 7.3	— 10.0b
General Foods	81¾	53¾	— 4.3	— 20.0
Homestake Mining	*11⅝	39	+100.0	+110.0
International Shoe	77½	40	— 39.0	— 4.0
Kress	*57	54¾	+ 43.6	+300.0
Kroger	*61¼	42½	+ 46.5	+280.0
Pacific Gas & El.	98¾	39⅝	— 8.0a	n.c.
Reynolds Tob. "B"	66	47	— 9.3	— 21.6
Woolworth	103⅞	45¾	— 12.4	+ 4.1
Wrigley	80⅞	75¼	— 17.3	n.c.
2. *Some Growth Stocks*				
Am. Can	*46⅛	36⅛	+266%	+ 1%
Dow Chemical	*5	44¼	+620	+630
du Pont	*57¾	97⅜	+162	+142
General Electric	*100¾	72¾	+114	+100
Goodrich (B. F.)	*35¼	77½	+500	+100
Industrial Rayon	*45	64¼	+110	c
Monsanto	*13½	109½	+610	+1090
Parke, Davis	53⅛	58	+121	+ 15
Phillips Petrol.	*23½	64⅞	+ 97	+140
Shell Oil	31¾	87	+472	+114
Sears, Roebuck	*45¼	62⅜	+230	+390

*Adjusted to changes in capitalization. a 1929 to 1952 percent increase. n.c. No change. b Also paid 5% stock dividend. c Paid $3 in 1952, nothing in 1929.

Britain's Share in Economic Efforts of the Free World

By THE RT. HON. R. A. BUTLER, M. P.*
Chancellor of the Exchequer, United Kingdom

Chancellor Butler, after revealing a full understanding of Britain with State Department on foreign policy, describes England's efforts to attain economic recovery, while carrying out an adequate defense program. Stresses importance of maintaining and strengthening the Sterling Area, which finances half the world's trade. Holds British and U. S. trading interests are inseparably linked, and urges reduced trade restrictions and maximum U. S. investment overseas.

I want to talk to you about Britain's share in the economic effort of the free world, and how this can fit in with your gigantic contribution past and present.


Rt. Hon. R. A. Butler

Our task together is to ensure the effective operation in peacetime of one of the greatest alliances — political and military — of all time. We are united so that we may combat a constant and highly-organized threat to our way of life and to all the principles on which it has been built over many years.

Whenever I visit America I feel revivified by the fresh wind of thought and enterprise which animates your achievement in populating this vast continent and in setting up the greatest territorial unit of human civilization dedicated to the task of providing wider opportunity and a better life for the individual person.

Rupert Brooke, you will remember, said when he came here that "the breezes have no memories." I think now he'd find the breezes wafting many reminders of our joint emotions and sacrifices and a determination together to profit by past experience and by our present efforts and so to make ourselves worthy of our heritage—the defense of freedom.

We your partners in Britain are not just a small island. We are the center of a great Commonwealth. Your vast continent and our world flung family of nations must be the very heart and mainspring of the free world.

History would have been very different if our joint purpose had been as set and determined after 1918 as it is now. Our objectives are wide and cover the whole field of endeavour—political, military and social.

Yet as I have looked at the scene in past months, I have constantly asked myself: What about the economic and financial base on which all this must be built? Is it sound? Is this foundation of all our policies—defense, political and social—strong enough to bear the burden, not only in the immediate future but if necessary—as it may well be—in the face of a long cold war? This is the aspect of the matter to which I am sure we have not given enough thought together—jointly—since 1945.

Understanding Reached with U. S.

In Washington over the last few days we—that is, Mr Eden and myself together with members of your Administration—have tried to face up to the realities and facts of the world as it really and starkly is today.

On the foreign policy side I am sure that the understanding Mr. Eden has achieved in his talks with your Secretary of State, Mr. Dulles, and with President Eisenhower, will bear fruit in many parts of the world in the days to come. I have never seen his great experience in foreign affairs and his power of friendship serve him or our two countries in better stead.

On the economic side also we have made a good beginning and I feel that with your Secretary of the Treasury, Mr. Humphrey, I have established that most valuable of assets—a personal understanding.

At the Economic Club you may expect me to give a most learned and comprehensive lecture on all that we have been discussing. Fortunately I understand that not all members of the Economic Club are practising economists. Though I should suppose that most members have their own particular notions.

When crossing the Atlantic I could not help comparing the art and science of modern economics with that of navigation. That is to say it gets you somewhere, wind and weather permitting, especially if you know how to make allowance for wind and weather. Naturally when you find yourself "off course" you can blame the storms and when a fair wind brings you home you should take the credit. In fact it's just as important to have a nose for the weather and a long experience of gale force and direction as it is to get your calculations right on the chart.

I probably receive as much conflicting economic advice, most of it gratis and for nothing, as any living man. Much of it is simple and asks for relief from taxes; I cannot forestall my Budget statement even here!

I was rewarded by wading through one of your Sunday newspapers to find a cartoon of a wife saying to her husband "I have pinched and starved and saved a few cents here and a few cents there and now you've blown it all on your Income Tax payment." That sounds familiar.

Some advice which I receive is incomprehensible and expects too much of the human brain. I cannot help feeling that after the last war we not only forecast the wrong weather—but we created mechanisms at once too complex and also too remote from the comprehension of the ordinary man. Good economics need not necessarily be incomprehensible.

Facts of the British Position

I will attempt to give you a simple and I hope stirring account of our efforts in the U. K. and then discuss with you how our efforts can be linked with others. Here are some facts about our position.

World War II transformed us from being a great creditor country. We ended it—despite the generosity of Lease Lend — owing other countries $13 billion. Soon after we had to borrow over $5 billion more to tide us over the reconstruction period. No country's position has ever changed so greatly in so short a time. Yet we have honored and will honor these obligations.

Second, we have to run our system of the Sterling Area on gold and dollar reserves much smaller than before the war. Since we came into office in the U. K. we have transformed a debit of over $1 billion in our overseas payments in the last six months of 1951 into a surplus of over $150 million over the whole of 1952. But we need an even greater surplus, because we have undertaken worldwide responsibilities—political and military—which now cost us incomparably more than before the war.

For us, like you, the biggest single burden is defense.

Our defense budget is twice as large as it was two years ago and now represents nearly 40% of our total budget. The figure for the next fiscal year was published just before I left England—it is $4.6 billion. This may not sound very much to you—but let me tell you what it means to us.

We have about 880,000 men and women in the defense services, not far short of 4% of our total working population. Then we have another 5% in industrial work allied to the defense effort. We have maintained compulsory universal military service since the war—indeed since before the war, for it was started early in 1939—and we now have a two-year call-up period with 3½ years in the reserves. We have the largest armoured force of any country in Western Europe today.

The great majority of our Army is in service outside the U.K. The external cost of defense to us is over $1 billion. Finally, our defense program takes about one-eighth of the output of the metal using industries—which as you know is precisely the field from which we draw our most salable exports.

I mention these facts not to boast — and certainly not to beg—but because they do represent a very real contribution—undoubtedly by far the biggest we have ever made except during the two world wars—and of course they represent a very heavy burden on our economy.

In order to maintain this effort in Britain and the sterling area we have, since I became Chancellor 18 months ago, taken definite steps to free and to tone up our economy. We have certainly got things moving—and in a new direction. First and foremost inflation is now in check. Prices and wages were more stable during the second half of last year. In this period average retail prices were practically unchanged despite the increase in some food prices which followed the reduction in food subsidies.

Unproductive kinds of expenditure have been clipped. For the second year running we have been able to keep the civil expenditure in our budget from rising.

The new monetary policy is yielding results. The total of bank advances fell by 10% last year, the biggest fall being in advances to retail trade, personal and professional, etc. The main impact of monetary policy was almost certainly on inventories. All this has helped us to liberate resources for the exports we so much need.

The metal-using industries of the United Kingdom are now able to quote much shorter delivery dates than a year ago.

With very few exceptions our industries can accept and would welcome additional export orders. It is overseas demand and not our ability to supply the goods which is now the main limitation on stepping up our export trade. Yet our exports of coal and of metal products have been substantially increased.

We have brought new freedom too, into international trade. Markets have been reopened in London for zinc, lead and tea. Timber purchase has been restored to private hands. At home we are getting rid of the elaborate systems of government purchase and control over coarse grains and eggs.

We are also restoring freedom by returning to private operation the road transport and steel industries, two industries least suitable for public operation.

But besides freedom, we have stressed development. In home agriculture, the two go together. We think that by appropriate incentives we shall secure increased production of those products which the U.K. is best fitted to produce.

Overseas development, too, is not being neglected. We have discussed with our Commonwealth partners schemes for intensified development which will strengthen the balance of payments of the sterling area. Some developments already in hand, e.g. Northern Rhodesian copper and the Volta River scheme, have justifiably attracted great interest and attention throughout the free world.

We have made over $150 million available in the next six years for the World Bank.

Stresses Role of Sterling Area

All these activities are part of a movement and a momentum which must be kept up. We can go on—provided we can secure our base by maintaining and strengthening the sterling area system and the role of sterling in international trade. This is the system which sustains the largest area of multilateral payments in the world—the system based upon sterling which finances half the world's trade.

If we are to go on successfully, we must seek solutions to the problems of world trade and finance so that we can live by trading and so make our own independent contribution to the common cause. Insofar as my colleagues at home and in the rest of the sterling area can influence our economy—subject to wind and weather—we will do our best to lighten burdens and to go on making ourselves more flexible and more competitive.

And here you, too, have a part to play. As the findings of the Paley report are studied I think more and more people will come to see that your trading interests and ours are inseparably linked. That's the real significance of "Trade not Aid."

Of course, your new government must be given time to work out the best methods of working with us to achieve a widening pattern of trade, and currencies which are more easily interchangeable. Already the President in his State of the Union Message has said that American foreign policy would recognize the importance of profitable and equitable world trade, and in particular mentioned the possibility of simplifying Customs procedures, extending the reciprocal trade agreements act, encouraging the flow of private American investment abroad, using the offshore purchase system, and increasing American purchases of raw materials.

Certainly we should rejoice to see the maximum U.S. investment overseas.

As one who looks from outside, the other needs would seem to be a review of U.S. tariff policy and Buy American legislation.

As for the whole field of discrimination, whether in shipping or elsewhere, all we ask is that we should be given the freest possible chance to earn our living on commercial competitive terms, without impediments. This would not only help us but in the long run would help you. You must not think that you need surround your ever-flourishing economy with beetling cliffs and barbed wire to keep out trade on

Continued on page 16

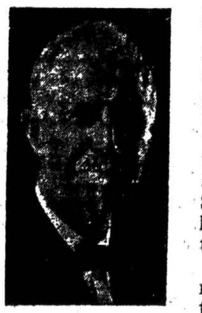
*An address by Chancellor Butler before The Economic Club of New York, New York City, March 10, 1953.

Salesmen

By ROGER W. BABSON

After commenting on unpopularity of "bothersome salesmen," Mr. Babson points out importance of salesmen today. Says sales work has special appeal to ambitious young men, because earnings are in direct proportion to hard work and ability. Asserts good salesmen make good incomes.

One of my readers has asked me if we all would not be better off without bothersome salesmen who get a foot in the door and sell things people don't want. This reader, a mother, said she hoped that her son wouldn't grow up to be just a salesman. She had higher aspirations for him.



Roger W. Babson

Why do so many people today look down upon the salesman? To get a clue to this, I tried a parlor test on a number of people, a test which, by the way, is standard psychological procedure used by many advertising agencies in preparing copy. I asked a number of people to write down, as rapidly as possible, the words that came to them when I mentioned the word "salesman."

Try this experiment. You will get responses like this . . . life insurance, tomb stones, vacuum cleaners, television sets, silk stockings, women's lingerie, encyclopedias, silverware, "imported" linens, books, magazines, etc. Yet, those who call at your house to sell these things represent only about 2% of the total sales force of this country. The 98% are selling to the nation's millions of retailers and corporations.

The Importance of Salesmen Today

I'm frank to admit we have, and probably always will have with us, a few get-rich-quick boys who want to make a fast buck. They are high-pressure artists who are here today and gone tomorrow. They never learned that really to sell you have to get close to a prospect, get his confidence and give him real service. But men of this type are also found in Congress, in labor unions, and, yes, even in medicine! So let's not put a blanket condemnation on the entire selling profession.

What my reader did not fully understand is the importance of the salesman to our economy. She did not quite seem to grasp the idea that our country has learned how to produce, not only all the tremendous amount of military material we need, but also all the consumer goods we can use. And that the major fear of business right now is the fear of overproduction. She does not realize that the salesman is the king-pin in our free economy, and that, by creating and satisfying enough new wants, only he and those who sell advertising can keep our economy in high gear. The salesman is a mighty important person.

Job Ceiling Unlimited

Sales work has a special appeal to ambitious young men because earnings are in direct proportion to hard work and ability. The salesman gets a terrific bang out of his job because he knows his efforts cause people to raise their standard-of-living. He knows, too, that if only a thousand people buy an article without salesmanship, it may cost $10.00, but with good selling and resultant mass production, the consumer may get the same article for as low as $2.00.

A good, creative salesman has the spirit of the missionary—a lot of courage, honesty, unbounded energy, persistence, firmness and unusual adaptability. The good salesman must be able to withstand extreme frustration, be able to organize his own work and work under pressure. The good salesman is not a clock watcher. He always wishes the work day were just a little longer.

Good Salesmen Make Good Incomes

Whether a young fellow starts out as a manufacturer's representative, wholesale salesman, specialty salesman, sales engineer or retail merchandiser, his opportunities are what he makes them. If he's a good salesman he will want to work on commission. Then it's strictly up to him whether he makes $25 or $250 per week.

Starting guarantees for college seniors wanting to sell range from about $2,730 to $3,600. The average, after five years, is about $8,000; the average ceiling in sales management ranges between $12,000-$15,000 in medium-sized corporations, with some earnings going much higher. Salesmen are the one group who need no labor unions. They are the men who work up to the top executive positions. As I look ahead 10 years, the way for a young person to get ahead fastest, and at the same time make a real contribution to our economy, is to enter the sales field. To succeed, however, he has to have the interest, aptitude, persistence and personal qualifications.

Continued from page 15

Britain's Share in Economic Efforts of The Free World

competitive terms. The dollar is so strong that it can afford to its own advantage not to overhang the world like a colossus or like the cliffs of Dover in "King Lear":

"There is a cliff whose high
and bending head
Looks fearfully in the
confined deep."

and you remember what Gloucester said about it—

"Bring me but to the very
brim of it,
And I'll repair the misery
thou dost bear
With something rich
about me."

There will indeed be a rich future for all of us if you can show us the footholds and paths by which we can climb to the plains of more level partnership.

With the Commonwealth we bring to this partnership a unity of nations of great economic strength and political significance. Ours is a great loom weaving together the independent strands of East and West, of the Northern and Southern Hemispheres, of ancient races and undeveloped territories, into one strong enduring whole.

When this great Commonwealth is joined with you in common effort, no power on earth can stand against us.

Group Offers Bonds Of Georgia Power Co.

A syndicate headed by Blyth & Co., Inc., Salomon Bros. & Hutzler and Shields & Co. is offering publicly today (March 26) a new issue of $16,000,000 Georgia Power Co. 3¾% first mortgage bonds. The 30-year bonds are priced at 100.90% to yield 3.70% to maturity. The group was awarded the issue at competitive sale on Tuesday.

Proceeds from this sale, and from concurrent sale of 100,000 shares of preferred stock, together with $6,000,000 received from the sale during February and March, 1953, of additional shares of common stock to the parent organization, The Southern Co., will be used to repay temporary bank loans in the amount of $3,000,000 and for construction or acquisition of additions to the company's utility plants.

The bonds are callable at general redemption prices ranging from 103.90% if redeemed prior to April 1, 1954, to 100.14% in 1982 and at special redemption prices ranging from 100.90% prior to April 1, 1954 to 100.10% in 1982.

Bond Club of Detroit Summer Golf Party

DETROIT, Mich. — The Bond Club of Detroit will hold its annual summer golf party for members and guests on Tuesday, June 2, at the Meadowbrook Country Club.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Among the major insurance groups, the annual report published by the Fireman's Insurance Company of San Francisco is one of the most comprehensive and informative.

Not only does it provide a discussion of the overall underwriting and investment results and problems for the year, it also gives a breakdown of the experience of the individual underwriting lines and the sources of investment income. This helps provide a better understanding of the operations of the business.

Of possibly greater significance so far as the investor is concerned, is the method of computing earnings. Fireman's Fund is practically the only major insurance company which gives official recognition in its report to stockholders, of the increase or decrease in the unearned premium reserve and its impact on earnings.

In other words, most insurance companies report underwriting earnings on a statutory basis making no adjustment or giving no recognition of the increase or decrease in the unearned premium reserve and the equity of the stockholder in this account.

Fireman's Fund on the other hand and in common with the practice of many specialists in insurance stocks, has followed a policy of computing the stockholder's equity in the unearned premium reserve and reporting per share earnings on an adjusted basis. It is believed that this method of estimating earnings gives a more accurate indication of the actual operating results for the period. This is especially true in comparing results from year to year.

Using figures taken from the 1952 annual report the operating record of Fireman's Fund for the past three years was as follows:

	000's Omitted 1952	1951	1950
Underwriting—			
Premiums Written	$146,155	$140,125	$119,936
Increase in Unearned Premium Res.	5,998	13,222	7,692
Premiums Earned	$140,157	$126,903	$112,244
Losses & Loss Expenses Incurred	81,972	72,996	60,044
Underwriting Expenses	54,889	53,325	46,611
Profit from Underwriting	$3,296	$581	$5,587
Investment—			
Investment Income	7,538	6,794	6,164
Investment Expenses	590	589	566
Net Investment Income	$6,948	$6,205	$5,598
Profit before Taxes	10,244	6,786	11,185
Federal Taxes	3,523	1,118	4,631
	$6,721	$5,668	$6,554
Less Minority Interest	*63	*38	5
Net Profit	$6,784	$5,706	$6,549

*Loss.

The above figures do not include certain miscellaneous items such as gains or losses from security transactions which, it is believed, are more properly a surplus charge.

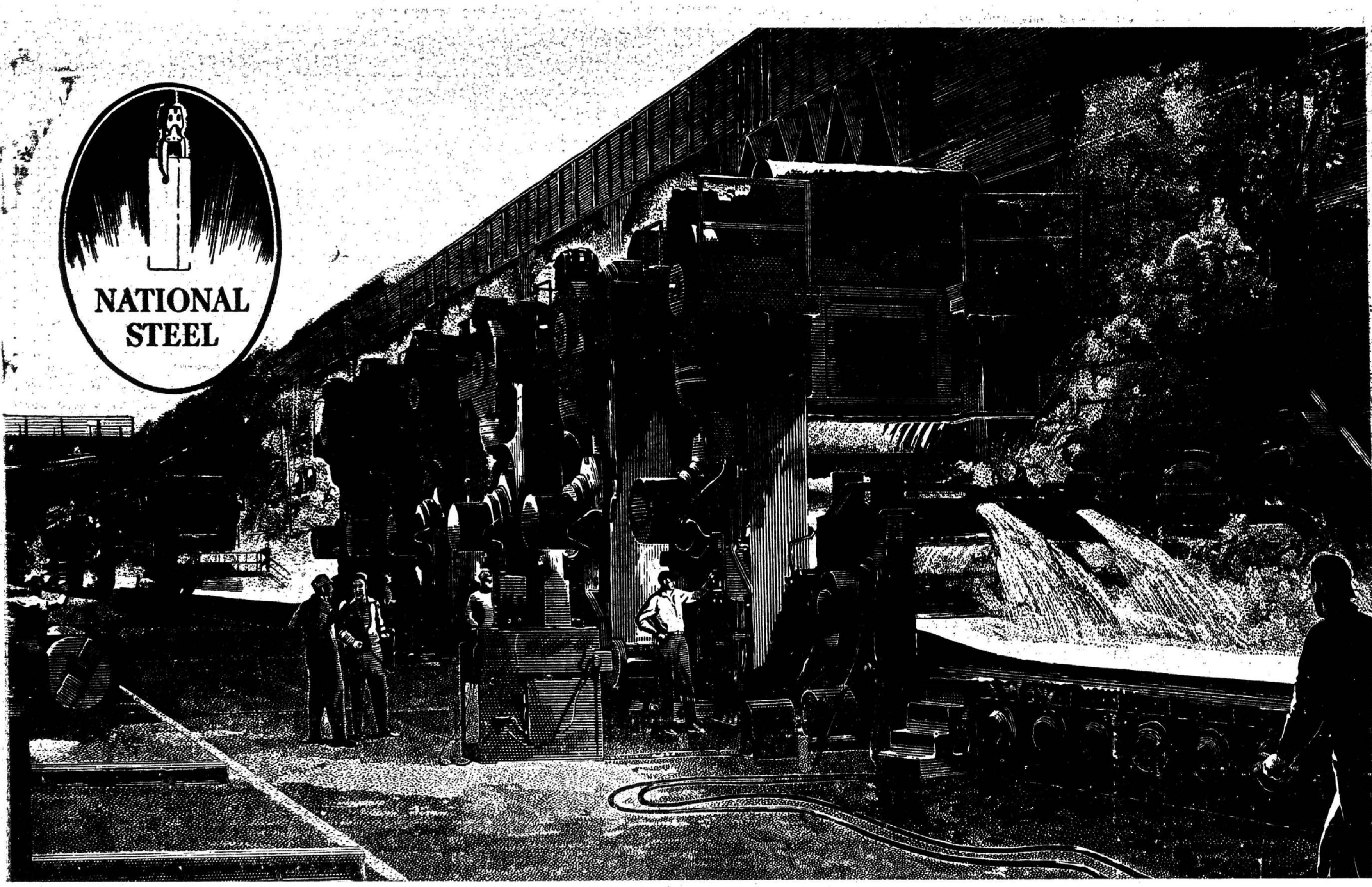
Translating the above figures to a per share basis and adjusting for the increase in the unearned premium reserve, the Fireman's Fund annual report shows the following result:

Earned Per Share—	1952	1951	1950
Before Federal Income Tax	$5.09	$3.02	$5.46
After Federal Income Tax	3.33	2.46	3.26
Add: Equity in Unearn. Prem. Res. Incr. at 35%	1.05	2.31	1.34
Adjusted Earned Per Share	4.38	4.77	4.60

As can be seen from the adjusted per share figures the operations of Fireman's Fund have been much more stable than the underwriting record might indicate. In other words in 1951 the statutory underwriting profit was only $581,000 or substantially less than the $5,587,000 of the previous year or the $3,296,000 of 1952. However, part of the reason the profit was lower that year was attributable to the large gain in the volume of business and the increase in the unearned premium reserve during that period which was higher by over $13 million.

When an adjustment is made for the equity of the stockholder in the increase in this account, the adjusted underwriting results and the final earnings present a much more stable picture of operations.

While it is not likely that this method of reporting operating results will be generally adopted, it is encouraging to see one of the major insurance companies give it recognition.



This is National Steel

Aiding automotive manufacture with wide sheets from one of the world's largest mills

The safety, durability and beauty of the modern automobile are due in large measure to the steel industry's ability to develop facilities for the production of extremely wide sheets.

These high-quality wide sheets enable manufacturers to make automobile parts in one piece which otherwise would have to be fabricated, at greater cost, from two or more widths of narrower steel . . . such parts as passenger car tops, panels for hoods and floors, and sides for delivery trucks.

The huge mill illustrated in Peter Helck's painting is the 96-inch mill at Great Lakes Steel Corporation—National Steel division at Detroit, Michigan. This mill was the first of its type to be built to this size and is one of only three comparable mills in the steel industry today.

The mill's massive, finely engineered machinery is arranged in a straight line more than a quarter-mile long. Its ten "stands" house heavy rolls 96 inches wide, each driven by a powerful electric motor. Steel starts in the mill as a thick three-ton slab, passes through the rolls at speeds up to 2000 feet a minute and emerges as a thin sheet.

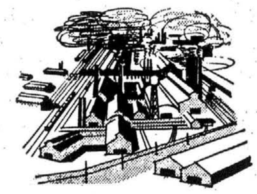
As well as making extremely wide sheets, this mill rolls the narrower widths more generally used. Sheets of auto-body thickness in widths from 90 to 60 inches can be delivered, after further processing by cold rolling, in a single unwelded coil 512 feet long.

Benefits of this big mill will be further increased when new facilities for producing larger slabs are completed this year. In addition to making sheets from 90 to 72¼ inches wide in the present 512 foot length, it will then deliver 72 to 33-inch-wide sheets in a single unwelded coil 1860 feet long—more than triple the present length.

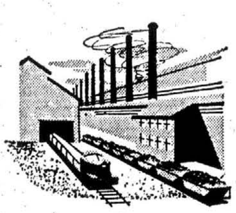
The 96-inch mill and its product are only one phase of National's wide range of steel production. They demonstrate again the progressive spirit and emphasis on quality which make and keep National one of the nation's leading producers of steel.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

AN INDEPENDENT COMPANY OWNED BY MORE THAN 19,000 STOCKHOLDERS



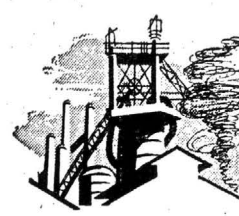
WEIRTON STEEL COMPANY
Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.



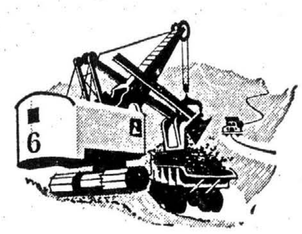
GREAT LAKES STEEL CORP.
Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.

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

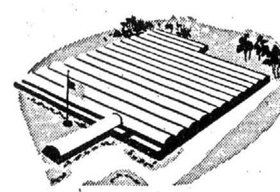
NATIONAL MINES CORP.
Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.



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



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



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

Home Outlook Good— But Not So Abroad

By S. MARSHALL KEMPNER*

Former New York investment banker foresees probable good year on the domestic front, but finds situation abroad full of economic and political uncertainties. Says there are "economic variables which may knock forecasts into a cocked hat," and calls attention to more than $10 billion of depreciation and obsolescence accruals by business firms, which can bolster the future economy.

It seems to me that the most sensible way to look at 1952 and 1953 is to start with consideration of the United States, the industrial giant of the modern world, for whatever happens here has an enormous effect on the economies of the rest of the world — free and non-free — and then, to make an armchair visit to some of the other important producing countries and areas in an effort to understand the relationship of the parts to the whole.

S. Marshall Kempner

Here at home the business picture in 1952 was replete with records. The gross national product—economic jargon for the output of goods and services — as well as personal income, reached a new high. American business last year spent about $27 billion for expansion and new equipment, and incidentally indications are that it has committed approximately that amount for this year, the importance of which should be emphasized in considering the prospects for 1953. Money in circulation crossed the $30 billion mark.

Of course, government spending has contributed a great deal to this high level of economic activity. The budget presented by ex-President Truman gives rise to the thought that despite paring down by the new Administration, business is bound to be active, even if the Korean war should be settled. Popular thinking has it that the peak of military expenditure of about $54 billion will be reached in mid-1953, and that there will be a tapering off thereafter. I happen to be one of those who question that timetable and believe a decline will not occur until well into 1954. Moreover, I believe the point of view fallacious that the economy is entirely dependent on government spending, and that a falling off in business is bound to induce a drastic recession. Some adjustment yes, but without a semantic quibble, I do not think breadlines or huge unemployment. Segments of the economy have been in a continuous process of adjustment. For example, the outbreak of the Korean War induced a huge buying program, national expenditures increasing in the first year by some $54 billion. This increase was not all military expenditures; part represented purchases by consumer scare buying, part by business in inventory accumulation and capital equipment, and part by government expenditures for defense. Shifts within these areas have been taking place. In the second year after Korea the backlog of consumer demands was largely filled, inventory accumulation by business had been accomplished, and only expenditures for national security increased, by about $15 billion over the 1950-51 period. The price-rise in goods was halted, but productivity continued to advance.

The ogre of high taxation has been before us throughout 1952, and has tended to restrict profits so that many corporations have reported increased business or sales volume with somewhat lesser earnings. However, a concealed source of earnings, namely, those arising from certificates of necessity authorizing accelerated depreciation, may serve to bolster the economy in the future. A fact frequently neglected is that accruals for depreciation and obsolescence are exceeding $10 billion annually. Further, the reduction or elimination of the Excess Profits Tax may provide substantially higher earnings, especially in the case of those companies which have not had a high base.

One of the most important economic developments during 1952 was the accord reached between the Treasury and the Federal Reserve Board—the fact that interest rates (the hire price of money) were permitted to rise, and government bonds allowed to reflect them by dipping below par. The financing of the national debt will be an important aspect of our economy in 1953 and the years ahead. A little over $106 billion is redeemable on demand, about $57 billion is due in 1953—of which $9 billion in Treasury C/Ds are due Feb. 15 (arrangements for the refinancing were announced by Secretary Humphrey Jan. 29: part in one-year 2¼% C/Ds, part in five-year, ten-month bonds bearing 2½% interest) — approximately $38 billion due in one to five years, and $12½ billion are convertible into five-year notes. Only $22.8 billion is due in five to 10 years, and $31.1 billion in 10 to 20 years. In short, obligations redeemable within five years make up almost 80% of the total debt, and the refunding of such obligations is bound to exercise an influence on money rates, money supply, and the economy at large.

Economic Variables

That a good deal of inflation has been written into our system permanently is witnessed by the high prices of goods and high labor costs. Personally, I strongly doubt any recession in wages. While efforts have been made to control inflation thru price and wage controls, as well as the traditional means of monetary controls, we must be adult and recognize that there are new forces or variables in our economic life which have in a measure affected the efficacy of the classic regulatory methods, such as the control of discount rates and the open-market buying policy of the Federal Reserve System. Some important variables are: The purchasing power exercised by the Pentagon at home and abroad; the amount of economic aid granted overseas, whether in the form of money, goods and commodities, or orders for products manufactured abroad; the effect on our economic life produced by pressure groups, whether those of Agriculture, Industry, or Labor (you are all familiar with farm subsidies, and presumably you recall as well the steel wage increase and the rise in steel prices during 1952, to give but two examples), and lastly amongst the variable forces are the imponderable and unforeseeable shifts produced by international political developments. The effect on the petroleum industry of the Korean war or the Iranian oil nationalization, are examples of that kind of dislocation.

Now, granting that the variables might knock any guesses for this year into a cocked hat, what may we consider likely for the United States this year? It seems likely that our exports will decline further, as our overseas friends increase their effort to sell to rather than buy from us. A decrease of $700,000,000 from last year's figure to $12,500,000,000 was recently forecast by the National Foreign Trade Council. Imports including so-called off-shore procurement by the government are expected to run about $11,300,000,000, the same as in 1952. Despite the drop in commodity prices, there is a likelihood of a high-level of farm income, bearing subsidies in mind. I said earlier that I expect no substantial recession in the wage level; high mass purchasing power may continue. Certain industries seem slated for good business. The automobile industry's indications are that nearly 5½ million cars will be sold, to which may be added a truck production of about 1.2 million units, so that a total 6.7 million motor vehicles may be produced which exceeds every previous year except 1950. Expanded sales are likely to be witnessed in the chemical industry as it reaps results from the huge expenditures in 1952 of about $3.2 billion for plant expansion and improvements. The public utility industry and the natural gas industry, constantly growing in all its phases—production, transmission, and consumption—are expected to increase their total revenues. The petroleum business is expected to reflect in 1953 an increase in consumption on its products of between 4 and 5%. In the building field it is anticipated that for the fifth year in succession over 1,000,000 residential units will be built. The television field may perhaps stimulate the imagination most. There are today some 110 sending stations and perhaps 20,000,000 receiving sets in use. This year another 150 stations may be put into operation and perhaps 6,000,000 sets will be produced and sold.

I touch, in humming-bird fashion, on some of these basic industries not to indulge in a form of glowing auto-intoxication as to the future, but merely to point out some of the evidence for believing our economy will again be in high gear.

Not So Good Abroad

But what of the rest of the Free World? What about its position and its impact on us, as well as our influence on it? For whether we like it or not, there is today an interdependence economically, politically, and militarily amongst the nations of the Free World. What has happened, and what is likely to happen? Obviously, in a short talk of this kind we could not cover even a single segment with competence; but if I may be forgiven this glib, humming-bird way of flitting about, let's take a look.

The first glance is toward the East. We have been tied or bogged down in Korea. The toll of resources in men and arms is most significant, and suits the Soviet book. Perhaps the stalemate will be broken in a few months' time. There is the possibility that a blockade of the China coast (much debated and which may not take place), the utilization of the Chinese Nationalist forces, the further build-up of South Korean troops, and perhaps additional aid from our allies may change the course of events.

In Indo-China the French have waged battledore and shuttlecock warfare. Their cost in blood and treasure has been high, though

Continued on page 39

*Remarks of Mr. Kempner at the City Commons Club, Berkeley, Cal., Feb. 13, 1953.

Continued from page 3

Plastics Invade Structural Materials' Field

success. We all remember how a few poorly advised applications and lack of product standards nearly ruined the name plastic a few years ago. Let us be vigilant so that these new markets won't be closed to us by similar errors of judgment.

The other major problem is the question of the economic climate within which we will work in the future years. In my particular company our business research group spends considerable time in forecasting future business prospects for our products. Even in our experimental work no major project is undertaken without an accompanying market survey. Basic to all these studies are facts and assumptions concerning the number of people who will consume goods and services, the age distribution of our population which gives the number of people able to produce goods and services, and the probable output per worker. This story adds up to an encouraging picture of a dynamic economy with great opportunities for intelligent merchandising and substantial rewards to those who understand the significance of this population story.

In the United States the total population is largely the difference between births and deaths since immigration is quite small. This is not equally true of Canada since immigration into Canada as well as from Canada to the United States plays a much larger part in the picture. However, in both countries the birth rate has risen during and immediately after the war years to an unexpected extent. In fact, immediately before the war, in the United States many students of population were talking about a stabilized population with little prospects of future growth. These individuals were badly mistaken in their forecasts, for between 1941 and 1950 the United States had 33 million births which was 37% more than in the 1930's. A further increase of 12% is forecast for the 1950's with the death rate steadily declining. In actual numbers the United States population increased 19 million during the 1940's and is expected to add another 22 million during the 1950's giving us a population of 174 million people in 1960. Canada has grown percentagewise even faster. There has been a 21% growth during the 1940 decade and a conservative figure for Canada's growth during the 1950's is thought to be 20%. This is certainly a minimum figure since with a continuation of Canada's industrial growth immigration will undoubtedly play an important part. Now if our countries were similar to China or India, a population increase of this magnitude might simply lead to more starvation. I would guess that even Great Britain would view percentage increase in population with some apprehension. However, the situation for Canada and for the United States is entirely different. With our abundance of natural resources, our technical facilities and know-how for producing goods, a population increase is a stimulating factor in our economy. Further, there is another factor; namely, a change in age group distribution that gives this stimulating influence an unusual dynamic character. In the next 10 years 43 million children in the United States will become of school age. There is little guess work here for most of these children are already born. This is an increase of 55% over the 1940's. From a merchandising standpoint it, of course, means that any article for school-age children will have an unusually large market. In contrast with this, our working force—the age group between 18 and 60—will have only a 6% increase and actually the group between 20 and 29 will decline about 9%, reflecting the low birth rate of the 1930's. Thus fewer marriages will affect your merchandising plans. The age group over 60 will increase by 29% during the 1950's over the 1940 decade, and in the 1940 decade this age group increased 25% over 1930. Obviously, all this has a tremendous influence on the kind of business that will be done in the next decade.

Forecasts of the age distribution of Canada's population are complicated by the immigration factor. Historically, Canada has lost almost as many people to the United States as you have gained by immigration. Many of your best young people have sought opportunity south of the border. The postwar industrial boom is changing this trend. "Fortune" magazine states that since 1945 a total of 625,000 people have entered Canada while only 114,000 have left for the United States. This change, which can easily turn into a reversal of the historical trend, may give you a higher ratio of workers to consumers than in the States. This will permit a faster rise in your standard of living. This is needed as Canada's gross national product per person is three-fourths that of the States. This is a chicken and egg situation. More workers are needed to raise gross national product while a higher per capita income is needed to attract the workers.

There are many hazards — improper government action, a slowdown in rearmament, and a United States recession could upset for a time Canada's industrial growth rate. Don't succumb to any short-sighted panic philosophy for in the long run the future belongs to nations with raw materials and intelligent people. Canada has both.

Favorable Plastics Future in Canada

All this bids well for the future of plastics fabrication in Canada. I say this with a great deal of confidence but I also recognize one intangible factor that requires the cleverest kind of merchandising to overcome. Canadians who are by and large more conservative than people in the States. New products and changes in living procedures are more difficult to introduce north of the border. Canadian plastic converters most maintain high performance quality and plan intelligent merchandising schemes to reap profits in the consumer markets. Industrial uses for plastics will be a somewhat easier market to exploit.

The forecasted age distribution for the United States raises the question of how the proportionately smaller working force is going to support so many youngsters and oldsters without a decrease in our standard of living. Factors that must be taken into consideration here are how many women might join the working force; the slowly decreasing average hours of work per week; the trend of population from the country to the urban areas, which is still continuing in the States and accelerating in Canada; and the movement of population from the cities to the suburban areas. This latter coupled with the growing importance of suburban shopping centers, brings forth product distribution problems. However, overshadowing all these factors in importance in maintaining our standard of living is our engineering and management genius in designing tools and methods to get things done faster. In the past decades in the States, our gross national product per worker has increased around 30% each decade. The population growth as I previously mentioned is estimated to amount to about 15% during the 1950's. If we can continue our productivity increase per worker, we can take care of these youngsters and oldsters and still continue to improve our standard of living. Canada should do even better.

In addition to workers, engineering and management genius, and good government, we will need to invest some money in additional production tools. Our company economist, Mr. Dean Carson, has estimated that $200 billion in new plants and equipment must be provided in the next 10 years in the United States and $20 billion as a minimum for Canada. Here again the Canadian estimate is somewhat more uncertain because the extent of Canada's dynamic growth is difficult to appraise. For example, in the past six years Canada has invested $20 billion in new physical assets. Certainly the magnitude of these sums is impressive and as they materialize they form a prosperity base for our countries. It is hard to visualize any major recession in the next 10 years.

Improved Technique Needed

The need to improve productivity offers a great opportunity to the plastics industry. Better performing products produced with a lower expenditure of manpower is the type of job that plastics can do best. All of us engage in speculations about new plastics products. I doubt if there is anyone in this room who hasn't asked himself why plastics can't replace wood for inside house trim, or copper for gutters and downspouts, or iron, ceramics, and steel for pipe. Wood is a versatile material, but even though one-fourth of the world is covered with forest we are using 50% more wood a year than we are growing. One should be able to form plastic products as easily as copper and other light metals which can be worked. Iron and steel are low cost but they are heavy and they do corrode.

The possibilities for plastics in the structural material fields are intriguing and exciting the ingenuity of all of you. Of course, there are many problems, but the market is there and waiting and the chemists can give you plastics with the properties we need. The greatest single need today is a speed-up in the development of plastic fabrication techniques. No other technical factor is so important if we are to continue the present growth rates in the use of plastic products.

I have mentioned only a few of the highlights of the potential growth possibilities for plastic materials. Plastics are the most versatile structural materials known. While the rapidity and magnitude of plastic developments are amazing, the need for faster development of fabrication techniques is of paramount importance. During this decade the economic climate will be exceptionally favorable to labor saving processes and products. The fastest growing markets will be those serving very young and very old people's needs. The shifts in population may require new merchandising approaches. The construction industry will be at a sustained high level of activity.

If we plan intelligently and prepare to serve the proper market, we can profit. There are great opportunities and interesting problems. What more could we desire?

Wainwright Ramsey Entertains at Lunch

Mayor E. H. Klein of Amarillo, Texas, guest of honor at a luncheon given March 20 by Wainwright, Ramsey & Lancaster, at the Bankers Club, stated that his city plans to spend about $7,000,000 to double the output of its existing water system. Details of the necessary financing are not yet planned, he stated, although it is contemplated that actual revenues will cover annual principal and interest requirements of water debt at least one and one half times after paying operating and maintenance costs of the enlarged system.

Financing of the project will not take place until October or November of this year at the earliest. It is proposed to increase the existing daily capacity from 50 to 100 millions gallons to serve a population of about 175,000 by 1967, as projected by the consulting engineers. Citing the rapid growth of Amarillo, the Mayor said the present population estimate is slightly in excess of 100,000 compared with the 1950 census of 74,246.

Among the guests at the luncheon were: Hon. E. H. Klein, Mayor of the City of Amarillo, Texas; J. C. Lilly, Auditor of the City of Amarillo, Texas; Dana Scudder, The National City Bank of New York; Harold Boettenus, City Bank-Farmers Trust Co., New York; John T. Haneman, Jr., Albert Frank-Guenther Law, Inc.; Alfred T. Harris, The Bond Buyer; Edwin L. Beck, The Commercial & Financial Chronicle; David M. Ellinwood, Moody's Investors Service; Walter Tyler, Standard & Poor's Corporation; Richard Whitcomb, Phelps, Fenn & Co.; William J. Riley, Drexel & Co.; P. S Russell, Jr., Glore, Forgan & Co.; Albert J. Milloy, The First Boston Corporation; George LeVind, Blyth & Co., Inc.; Carl Hensen, Lehman Brothers; Charles M. Ettinger, Halsey, Stuart & Co.; James B. Ramsey, Jr., Granbery, Marache & Co.; J. Basil Ramsey, Lincoln E. Cafall, and Robert E. Toolan, partners of Wainwright, Ramsey & Lancaster.

Neal Kellogg Opens

WOODLAND, Calif.—Neal Kellogg is engaging in a securities business from offices at 607 North Street.

Dobbrow With Hardy

Charles Dobbrow, Jr. has become associated with Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange. Mr. Dobbrow was formerly President of Income Builders, Inc.

New Products Through Chemical Research

Papers delivered at 123rd National Meeting of the American Chemical Society cite development of many new materials and products designed to benefit industry and the individual.

LOS ANGELES, Calif.—Examination of the various papers delivered during the course of the 123rd National Meeting of the American Chemical Society at Los Angeles, Calif., from March 15-19, showed concrete evidence of the leading role played by the chemical industry in contributing to the well-being of both industry and the individual. Here is a report of the highlights of some of the developments described at the meeting:

Fire Resistant Paint

A bubbling paint that protects fiber-board or acoustical tile from fire was described at the meeting. Protection of these materials has become a problem of great importance because of the large quantities now installed annually in private homes as well as in public buildings, it was pointed out.

When a flame strikes the new paint, referred to as an "intumescent type coating," it swells, chars, bubbles, and produces a firm, charred ash, which immediately shields the combustible fiber board from the flame, according to George W. Mod of the Celotex Corporation, Chicago, who presented the report. A. Watson Chapman and Mrs. Alice C. Weil, also of the Celotex Corporation, were co-authors.

* * *

Flame Resistant Coatings

New flame resistant coatings, applied like plaster or mortar, which protect wood, fiberboard and metals against fire and heat were described by John C. Zola of Ideal Chemical Products, Inc., Culver City, Calif.

John C. Zola

The coatings, made from materials called "mastics," also have good resistance to abrasion, erosion, impact and weathering, according to Mr. Zola. In addition, the mastics are said to inhibit corrosion of certain metals, prevent condensation, and deaden sound.

The fire-resistant mastics have mineral bases which are bound together with synthetic resins, Mr. Zola explained. When exposed to a fire, the resin gives off a nonflammable gas which helps to "suffocate" the flame. The mineral base, which is a poor conductor of heat, also gives good protection against fire damage.

Mr. Zola told of one such mastic formulation, which he said "provides a new weapon in man's attempt to combat uncontrolled fire which destroys his property and himself."

* * *

Aids to Crime Detection

Scientific crime-fighters in police laboratories may soon "fingerprint" drugs, poisons and narcotics by a rapid new identification technique described by two chemists of the Santa Clara County Laboratory of Criminalistics, San Jose, Calif.

The new technique, which can be used in murder and suicide investigations racehorse drug tests, and analyses of foods and medicines, employs a "black light" device, according to James W. Brackett Jr. and Lowell W. Bradford. This device, a spectrophotometer, identifies unknown materials by increasing the characteristic ways in which they absorb light.

"Drug-prints"—records of these measurements—can be compared with standard patterns made by known materials, enabling chemists to determine the contents of the unknown samples, said Mr. Brackett, who presented the report.

"The entire approach to the problem of chemical toxicology insofar as organic compounds are concerned now takes a new tack," Mr. Brackett asserted. "This method should stimulate the group of analysts involved in the field of criminalistics and legal medicine to the adoption of spectrophotometry as a routine procedure," he added.

* * *

Calcium Level As Health Factor

A rapid, precise method for determining the body's calcium levels, for use in diagnosing hardening of the arteries, weakening of the bones, upsets in the central nervous system, and difficulties with blood clotting, was the subject of a paper delivered by Alfred D. Winer, chief of the biochemistry department in the Walter Reed Army Hospital Laboratory Service, Washington, D. C.

Col. D. M. Kuhns

Calcium, the most abundant element in the body, is the chief constituent of bones, and is present in teeth, skin, and blood.

The amount of calcium in a sample of human blood serum can be measured by the new method in a matter of minutes after the blood is drawn from the patient, Mr. Winer declared, and the result is at least as accurate as any chemical method yet proposed. An average laboratory technician can run a measurement in five minutes, and 25 determinations in one hour, he said. Dwight M. Kuhns, also of the hospital laboratory service, was co-author of the report.

* * *

Detecting Engine Deposits

Dr. H. P. Landerl Dr. B. M. Sturgis

A new research technique for studying engine deposits in motor cars was announced in a paper delivered by Dr. Harold P. Landerl and Dr. Bernard M. Sturgis, chemists of E. I. du Pont de Nemours & Co., Inc., Wilmington, Del. The paper was presented by Dr. Landerl.

The new procedure for study of combustion chamber deposit formation involves the use of motor fuel containing tetraethyl lead in which the lead is radioactive.

"The exact location and distribution of the radioactive lead salts which this additive deposits within the combustion chamber can be detected later by means of X-ray film," Dr. Landerl said.

"The study of combustion chamber deposit formation is very difficult since no direct method is known for following the formation at the time it is occurring," Dr. Landerl stated. "The appearance of the deposits at any time during their formation only suggests the processes which have occurred."

This new technique makes it possible to observe the formation and removal of deposits during a relatively short time at any stage of the deposit growth.

What's New in Glass?

Window glass, ground and polished on both sides simultaneously, has approached the perfection of plate glass, and the largest plates ever made are being manufactured, according to Alexander Silverman, University of Pittsburgh, Pa. The silvering of mirrors has reached an all-time high. Bottles, electric lamp bulbs, and food containers are made by the millions. Daylight lamp bulbs, yellow insect-repelling lamps, sun lamps, infrared, x-ray bulbs, flashlight, radio, television, and radar bulbs, mercury lamps, and sodium vapor lamps are but a few of the highly specialized lamps manufactured in quantity, he said.

Alexander Silverman

Photosensitive glass has been introduced, borosilicate glass is in daily use in the kitchens, a 95% silica glass is available, table and art glass is abundant. Highest quality optical glass is being produced in a variety of colors for eye protection and fashion. Glasses to shield against harmful atomic rays are being processed. Glass fibers, some of practically pure silica, others with submicron diameters, and glass foams, are finding important uses.

Colored slides are shown of the latest excavations at Glass House Point, Virginia, where America's first industry, a glass factory, was created in 1608.

* * *

Textile Industry for the West?

The West has "everything"—everything, that is, except a textile industry, according to A. George Stern, Heyden Chemical Corp., San Francisco, Calif. The area is growing, literally in all directions, and perhaps a textile industry should be accounted for in, or in some measure account for, its growth, he said.

A. George Stern

There is a need for a western textile industry and growth in the western markets justifies its establishment. The raw materials cotton and wood pulp are in ample supply. But, he continued, whether the industry is economically feasible in terms of processing, dyeing, and finishing chemicals or in light of the investment and operational costs or with special problems in mind such as water requirements or the labor market must be considered.

Although New England and the South are traditionally the sources of our textiles, perhaps the West can compete favorably with these areas as a textile center, the speaker averred.

* * *

Paints for Determining Heat Volume

Paints that tell the temperature have been developed by chemists to help in the design of airplane engines and heating and cooling equipment, it was revealed at the meeting.

The demand for jet-engine parts that can withstand extreme heat has accentuated the need for locating the hot-spots produced in various mechanisms in service, and the new paints do this by changing color permanently as the temperature rises, said Dr. Allen L. Alexander of the Naval Research Laboratory, Washington, D. C., who presented the report. Two other chemists of the laboratory staff, Dr. Jack E. Cowling and Dr. Peter King, were co-authors.

"It is often impractical to measure peak temperatures of moving parts and relatively inaccessible locations by conventional thermometers or thermocouples (electrical temperature-measuring devices)," Dr. Alexander pointed out. "Temperature indicating paints, though slightly less accurate, can frequently be applied to the desired locations, then read after a service test, thus determining with fair accuracy the operating temperatures of the various parts of a piece of equipment."

* * *

Textile Industry Looks Ahead

The textile industry, the meeting was told by Milton Harris, Harris Research Laboratories, Washington, D. C., is frequently called the chemical industry's number one customer. It is estimated, he added, that the production and utilization of textile materials require about one pound of chemicals for each pound of fiber produced. Any future development in textiles must accordingly be closely linked with progress in the chemical industry.

Dr. Milton Harris

Among the chemical industry's goals which are of vital interest to the textile industry are those involving the production of synthetic fibers and the development of textile chemical auxiliaries and finishes.

New Convalescence Diets

Better tasting therapeutic diets for use before and after surgery and for shortening convalescence from injury and disease have been made by a new method announced by J. Wismer Pedersen and Bruce E. Baker, Chemists, of McGill University, Quebec, Can.

Concentrated nutrients — which provide body heat, energy, and the material for building new muscle and repairing damaged tissue—have been produced by a mild chemical treatment that avoids the formation of bitter, unpleasant tastes and at the same time preserves the essential nutrient tryptophane, said Professor B. E. Baker, who presented the report. Tryptophane is an easily decomposed protein ingredient which is destroyed by the older strong-acid method, he said.

Designed for direct injections into the blood stream, as well as for oral administration, the high-energy preparations are made from casein, egg albumin, milk and other protein-rich materials by breaking them down chemically with sulfur dioxide, Professor Baker explained.

* * *

Food Spoilage Remedy

The most serious form of spoilage of dehydrated and concentrated foods may be prevented or controlled through research based on a new theory announced during the meeting.

John E. Hodge

This theory explains for the first time all the important chemical changes known to occur in the "browning reaction," a complex process which is the principal form of deterioration of food and feed concentrates, said John E. Hodge, chemist in the Department of Agriculture's Northern Regional Research Laboratory, Peoria, Ill. Mr. Hodge made the announcement at a symposium on dehydrated foods, sponsored by the Society's Division of Agricultural and Food Chemistry.

"It is expected that significant developments will follow which will contribute greatly to the control and prevention of quality and nutritional deterioration of concentrated foods," Mr. Hodge said.

Reinforced Plastics For Car Bodies

Nearly a score of different reinforced plastic sports car bodies made appearance during 1952, giving rise to considerable speculation as to how prominently this unusual material may figure in mass-produced autos of the future.

Actually, the idea of such car bodies is not precisely new. At the close of World War II, a car was built on Owens-Corning Fiberglas Corporation's Newark, Ohio plant, making use of reinforced plastics not only for the body, but for the frame as well. Only metal used structurally in the car—a joint experimental undertaking of Owens-Corning and a private auto manufacturer—was in wheel assemblies.

Subsequent postwar automotive uses of reinforced plastics have included 1,000-gallon oil truck tank trailers, truck cabs, passenger car trunk liners and convertible "hard top" units. Most such uses to date, however, have been in limited production.

Nonetheless, reinforced plastics seem destined for an increasingly important position among major structural materials, as components in not only cars and trucks, but aircraft, farm equipment, residential, industrial and commercial building, furniture and many other mass markets.

For automotive and other uses, there are many advantages contributed by materials combining, as do reinforced plastics, high strength, low weight, dimensional stability, weather-resistance, permanent colorability and other properties. These outstanding characteristics of reinforced plastics are proven—now, technological research is being pursued vigorously by material suppliers, molders and others toward developing improved low-cost high-volume methods for fabricating reinforced plastic products.

Reinforced plastics were developed early in World War II, initially to serve as aircraft radomes and for other critical uses. Their development came through pooled efforts of research engineers representing the armed forces, molders and material suppliers.

Frank H. Kemp With White, Noble & Co.

DETROIT, Mich. — Frank H. Kemp, one of the few active traders dating back to 1919 on Griswold Street, has returned to an active trading desk and private wire and teletype business with White, Noble & Co., Buhl Building, members of the Midwest Stock Exchange and Associate members of the American Stock Exchange, with offices in Detroit, Grand Rapids, Ann Arbor, Battle Creek, Lansing, Muskegon and Traverse City, Mich.

Frank H. Kemp

Mr. Kemp is one of the original group of 14 who met in Chicago in 1934 to organize the National Security Traders Association. Through 1938 he served as national committeeman representing the Securities Traders Association of Detroit and Michigan, which he had helped form, serving two terms as its first President.

Loewi Co. Announces Official Appointments

MILWAUKEE, Wis. — Loewi & Co., 225 East Mason Street, underwriters and distributors of investment securities, announce the following appointments:

R. R. Veenendaal

William C. Elwell

William K. Bosse

Peter Cooper

Robert R. Veenendaal, Secretary. Mr. Veenendaal joined Loewi & Co. in 1945 after service with the U. S. Navy as Lt. Comdr., after having graduated from the University of Wisconsin Law School.

William C. Elwell, Manager of the Trading Department. Mr. Elwell joined Loewi & Co. in 1947 after several years in both the trading and sales departments of another local investment house.

William K. Bosse, Manager of Corporate Research. Mr. Bosse joined the Research Department of Loewi & Co. in 1950, after many years' experience in many phases of research with a Chicago investment firm.

Peter Cooper, Assistant Vice-President. Mr. Cooper has been with Loewi & Co. since 1937 in the Trading Department. His new activities will be in the Institutional and Industrial Loan Department.

In announcing these promotions, J. Victor Loewi, President of the company, explained that the gradual expansion of practically all phases of their business has necessitated the expansion of the management base.

At the same time Mr. Loewi announced that William L. Liebman, Vice-President and Sales Manager, was elected to the Board of Directors of Loewi & Co.

Now Corporation

SYRACUSE, N. Y.—Donald L. Tiffany, Incorporated is continuing the investment business formerly conducted by Donald L. Tiffany from offices in the Lincoln Bank Building. Officers are Mr. Tiffany, President, and E. Lawton Bishop, Vice-President.

Texas Group of IBA To Convene May 6-9

SAN ANTONIO, Texas—An opportunity to witness a bullfight in Ciudad Acuna, in Old Mexico will be afforded investment bankers during their May 6-9 gathering with headquarters on the famous Fort Clark Ranch at Brackettville, Texas.

This "international" sidelight on the somewhat unusual "convention" of the Texas group Investment Bankers Association was revealed today by John P. Henderson, M. E. Allison & Co., Convention Chairman of the San Antonio group, host for the three-day "Western" holiday.

The investment bankers will go by bus from the historic old Fort Clark Ranch to the border city on the afternoon of Thursday, May 7. Dinner and colorful Mexican entertainment in the patio of La Macarena, one of the show places of Ciudad Acuna, will follow the bullfight, after which the group will return by bus to Fort Clark.

Those who prefer to shop or explore the quaint border city will have ample time to do so during the afternoon session which others will spend at the arena, Mr. Henderson explained.

"Nothing is mandatory at this convention," he said.

Formality will be cast aside by the investment bankers and their wives during the three-day meeting. Golf, swimming, tennis and horseback riding will be enjoyed on the Fort Clark Ranch. A western barbecue on Friday evening followed by dancing completes the convention program. With the serving of a ranch-style breakfast Saturday morning the unique convention will be brought to a close.

Opens Offices

BUFFALO, N. Y.—Tyler Kay is engaging in a securities business from offices in the Sidway Building under the firm name of Mutual Funds Center.

Wants End of Tax Exemption on Municipal Revenue Bonds Issued for Private Purposes

Harry W. Wolkstein, certified public accountant, writes SEC and Internal Revenue Bureau protesting a recent issue of revenue bonds of City of Florence, Ala. Warns it is subsidizing private industry and leading to economic warfare among states.

In separate letters, dated March 15, addressed to the Securities and Exchange Commission and the Commissioner of Internal Revenue, Harry W. Wolkstein, certified public accountant of Newark, N. J. and New York City, protests an issue of $1,300,000 of revenue bonds by the City of Florence, Ala. for the purpose of providing manufacturing site and facilities for a private corporation.

Harry W. Wolkstein

The text of Mr. Wolkstein's letter to the Securities and Exchange Commission follows:

Dear Sirs:

During the past few years I have done considerable research on the subject of property tax exemptions, and industrial development foundations. I enclose a copy of a technical paper, which I presented before the conference of the National Tax Association, held in Dallas, Texas in November, 1951, "Recent Problems and Developments in Property Tax Exemptions."

My research has indicated that a number of states in our country have revised their statutes in recent years in order to expand their policy of subsidizing new private industry and to entice new industry away from other states by means of providing tax exemptions, concessions and other privileges such as cash bonuses, interest-free loans, donations of land and building, leasing plants at nominal rental terms and other subsidies.

This expanded policy of state and local governments of subsidizing private industries has reached the stage of a continuous economic war among the states and municipalities. My files indicate factually that Governor Roberts of Rhode Island, in his annual message to his state legislature, dated Jan. 1, 1952, proposed that their "state get up a $6 million revolving fund to build new industrial plants, as part of a plan to stop raids on Rhode Island industries by southern states. . . . As the first shot in an economic counter attack against the raids being made on our industries by certain states." Governor Dever proposed a similar plan for the state of Massachusetts.

Over the past few years a number of municipal governments have issued industrial development revenue bonds for the express purpose of financing the construction of plants and equipment for rental to these new industries. It is my considered judgment that the time has come for the Securities and Exchange Commission to examine thoroughly into the question as to whether many of these industrial development revenue bonds should be subjected to the control and jurisdiction of the SEC in order to protect the investing public of our country.

In the event of a major economic depression, we shall probably see a widespread default in these newly-issued industrial development bonds, with resulting impairment of the financial capacity and credit of these municipal governments. Following the Civil War, the states and municipalities issued bonds for the purpose of subsidizing railroads, with tragic results when these railroad bonds were defaulted. In the 1920s the municipalities loaned their credit to real estate developers with equally bad results as shown in the defaulting of $2 billion of state and municipal bonds in 1933.

I have recently made a study of the 5% first mortgage industrial development revenue bonds that were issued in the amount of $1,300,000, by the city of Florence, Ala. on Sept. 1, 1952.

The prospectus on this new bond issue, a copy of which prospectus is enclosed herewith, states that the proceeds of this bond issue will be used by the city of Florence, Ala. "for the purchase of lands and for the construction of buildings and the purchasing of equipment in accordance with the plans and specifications prepared by Stylon Corporation and approved by the city. . . ." The prospectus also states on page 2 thereof that ". . . the principal and interest on said bonds shall be payable solely out of the revenues derived from the leasing of the premises which the bonds are issued to finance. These bonds and interest coupons *do not constitute an indebtedness of the municipality within any provision of the Alabama State Constitution or Statutes* nor do they give rise to a pecuniary liability of the municipality or a charge against its general credit or taxing powers. . . ." (Italics supplied.)

It is my judgment that these Florence bonds were issued for a "proprietary purpose" and not for a "public purpose." And further that these bonds are nothing more than ordinary commercial bonds coated with a fictional municipal veneer. They are not at all municipal governmental bonds; in support of my contention, I call to your attention the convertibility feature therein. The prospectus, on page 4 informs the prospective investor that the Stylon Corporation will exchange for each such bond a stated number of Stylon Corporation common stock. This type of conversion privilege which is often found in commercial bonds, is to my knowledge the first of its kind in the municipal bond field.

The prospectus further represents on page 1 thereof that "interest is exempt, in the opinion of Counsel, from all present Federal income taxes." It is my opinion that the interest income on these bonds should be subject to income tax, and in support of my opinion, I enclose herewith for your consideration a copy of a brief that I have this day mailed to the Commissioner of Internal Revenue, requesting that he change his ruling holding such interest to be taxable income. Many of my arguments as submitted in the enclosed brief as to taxability of these bonds, apply equally to the contention that these Florence, Ala. bonds come under the jurisdiction of the Securities and Exchance Commission and should be controlled by the SEC in order to protect the investing public, and in order to inform them properly that these are commercial bonds with a fictional municipal veneer.

As a public-spirited citizen, I sincerely believe that this type of industrial development revenue bonds, if encouraged in the future, will prove to be a real threat to our democratic way of life and to our system of private enterprise. These bonds are only the next step to "state capitalism."

In view of the serious issues that are involved, I respectfully request that you grant me a personal conference at your office at your earliest convenience, so that we may personally discuss the details involved in these Florence, Ala. bonds.

I shall appreciate receiving your early response, addressed to our Newark, N. J. office.

Very truly yours,

HARRY W. WOLKSTEIN

Certified Public Accountant (New Jersey and New York)

March 15, 1953

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York has sent a special message to members regarding contributions to the Wall Street Associations Blood Bank. A Red Cross mobile unit will be set up on the 10th floor of the Stock Exchange Building at 20 Broad Street, from Monday March 30 through Thursday, April 2. Hours will be as follows (with no appointments from 12:30 to 1:45 p.m. on any of the four days): March 30, 10:15 a.m.—3:45 p.m.; March 31, 10:45 a.m.—4:15 p.m.; April 1, 10:45 a.m.—4:15 p.m.; April 2, 10:15 a.m.—3:45 p.m.

Blood donor appointments will be scheduled for each Chairman by Mrs. Painter of the Red Cross, who will have an office in Room 634 at the Stock Exchange, beginning March 16 (HAnover 2-4200, extension 354).

* * *

Security Traders Association of New York (STANY) Bowling League standing as of March 19, 1953 is as follows:

Team—	Points
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	27
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	26½
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	23
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	22
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	21
Hunter (Capt.), Klein, Weissman, Murphy, Searight	20
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold	20
Donadio (Capt), Demaye, Whiting, O'Connor, Rappa, Seijas	19
Growney (Capt.), Craig, Fredericks, Bies, McGovern	17½
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Corby	17
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	13½
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	13

5 Point Club

Richy Goodman

NATIONAL SECURITY TRADERS ASSOCIATION

The National Security Traders Association announces that while the 1953 Convention will be held Sept. 16-19 at Sun Valley, Idaho, the 1954 Convention will be Sept. 22-26, 1954 at the Claridge Hotel, Atlantic City, N. J.

DENVER BOND CLUB

Denver Bond Club Keglers scorings as of March 6, 1953 are as follows:

	Team	3-13	Won	Lost	H. G.	H. S.
J. A. Hogle & Co.	HO	7- 8	40	17	579	1,587
Colorado Grain Co.	CG	5- 6	36	21	589	1,589
Bosworth, Sullivan & Co.	BS	1- 2	34	23	523	1,483
Carroll, Kirchner & Jaquith	CKJ	3- 4	33	24	563	1,597
Harris, Upham & Co.	HU	9-10	26	31	552	1,583
Mutual Funds	MF	7- 8	26	31	574	1,480
Amos C. Sudler & Co.	SU	1- 2	26	31	562	1,450
J. K. Mullen Investment Co.	JKM	3- 4	25	32	526	1,410
Peters, Writer & Christensen	PWC	9-10	19	38	574	1,371
Garrett, Bromfield & Co.	SSR	5- 6	17	40	490	1,373

	Team	G. B.	T. P.	Avg.	H. G.	H. S.
Kennedy	BS	54	9,348	173- 6	245	603
Hasselgren	CG	53	9,165	172-49	245	585
Mayer	HO	54	9,284	171-50	222	583
Bachar	HO	57	9,623	168-47	228	597
Ryan	PW	15	2,500	166-10	197	520
Forsyth	MF	36	5,928	164-24	226	543
Alff	SU	45	7,322	162-32	234	537
Robinson	SSR	18	2,929	162-13	198	538
Ormsbee	PW	51	8,241	161-30	231	536
Lascor	JKM	51	8,136	159-27	233	550
Dispense	CKJ	52	8,283	159-15	203	561
Carroll	CKJ	48	7,626	158-42	226	551
Richardson	MF	51	8,080	158-22	218	605
Davis	HU	42	6,574	156-22	220	583
Ayres	HU	57	8,882	155-47	213	564
Currie	CG	54	8,342	154-26	242	554
Siple	HU	51	7,877	154-23	190	495
Hammer	CKJ	48	7,397	154- 5	200	541
Hershner	CG	54	8,291	153-29	217	553
Struthers	SSR	12	1,842	153- 6	212	566
Haggerty	BS	56	8,247	147-15	191	518
Hunt	MF	36	5,220	145	197	491
Ryder	BS	42	6,013	143- 7	186	515
Inman	HO	57	8,127	142-33	198	527
Layton	SSR	16	2,231	139- 7	182	504
Talmadge, R.	JKM	51	6,964	136-28	181	471
Clark	SU	36	4,892	135-32	178	465
Talmadge, M.	JKM	51	6,900	135-15	167	440
Thompson	PW	21	2,405	114-11	175	411
Stone	SU			158		
Mitton	ALT	26	4,126	158-18	209	530
Patterson	ALT	24	3,468	144-12	192	459
Neely	ALT	6	863	143- 5	189	434
Hill	ALT	21	2,999	142-17	172	485
Roberts	ALT	9	1,242	138	168	429
Peters	ALT	9	1,200	133- 3	167	447
Lana	ALT	18	2,271	126- 3	175	433

Last Night of 1952-53 season will be Friday, May 8, 1953.

There will be three complete rounds or a total of 81 games in the season.

Robt. Coleman Opens Pub. Relations Office

Robert S. Coleman, formerly account executive in the public relations department of Doremus & Company, has announced the formation of his own public relations and advertising consultant business in association with John P. Broderick at 52 Broadway, New York City.

Robert S. Coleman

Mr. Coleman, a graduate of the University of Virginia, served as a Lt. (jg) in the Navy during World War II, and afterward became associated in Chicago with the Dancer, Fitzgerald and Sample advertising agency. He joined the editorial staff of the Bridgeport (Conn.) "Post" in 1948 and two years later was appointed Chairman of the Fairfield County (Conn.) Citizens Committee on State Government. Following a series of free lance assignments for the "American Weekly" Magazine, Coleman became associated with Doremus & Company in 1951.

Harper Joy Heads NASD Committee

Carl Stolle, G. A. Saxton & Co., Inc., New York City, Chairman of the Board of Governors of the National Association of Securities Dealers, Inc., announces the appointment of Harper Joy, Executive Vice-President of Pacific Northwest Company, Spokane, as Chairman of the NASD Public and Member Relations Committee.

Harper Joy

Named as members of the committee were: Clarence A. Bickel, Vice-President of Robert W. Baird & Co., Milwaukee; Howard E. Buhse, partner in Hornblower & Weeks, Chicago; Clement A. Evans, President of Clement A. Evans & Co., Inc., Atlanta; and John J. Sullivan, President of Bosworth, Sullivan & Co., Inc., Denver.

Blyth Group Offers Pacific Ltg. Pfd. Stk.

A syndicate headed by Blyth & Co., Inc. including 34 other investment houses throughout the country, made public offering on March 24 of 200,000 shares of Pacific Lighting Corp. $4.75 dividend cumulative preferred stock (without par value) at $100 a share plus accrued dividends from April 1, 1953.

Proceeds from the sale will be used to repay in full the $1,000,000 of 3% bank loans now outstanding, which funds were used for the construction program of subsidiaries. The balance of the proceeds will be used to finance futher construction of its principal subsidiaries.

Pacific Lighting Corp. was incorporated in 1907 as successor to Pacific Lighting Company (incorporated 1886). It is a holding company of public utilities supplying natural gas in Southern California, principally in and about Los Angeles. Its subsidiaries are Southern California Gas Co., Southern Counties Gas Co. of California and Pacific Lighting Gas Supply Co.

J. A. Hallgarten With Reynolds & Company

Julius A. Hallgarten on April 1 will become associated with Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange, to form and direct a new foreign department. Mr. Hallgarten is retiring from partnership in Hayden, Stone & Co. March 31. Prior to his association with Hayden, Stone & Co. he was with E. F. Hutton & Company and H. Hentz & Co.

W. F. Dietz V.-P. of Albert Frank Agency

William F. Dietz, Manager of the Production Department of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, has been elected a Vice-President, it was announced today by Howard W. Calkins, Chairman. Mr. Dietz has been associated with the agency since 1919.

New York Stock Exch. Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of the late Robert F. DeCoppet to Harvey Drachman will be considered by the Exchange on April 2.

Transfer of the Exchange membership of Wesley M. Oler to Chester C. Burley, Jr. will be considered on April 2.

A. Brock Park will withdraw from limited partnership in Hayden, Stone & Co. on March 31.

Oscar S. Schafer will retire from partnership in Schafer, Long & Meaney March 31.

McCoy Director

William D. McCoy, partner in the investment firm of McCoy & Willard, Boston, and who is also Chairman of the Board of Air America, was elected a Director of Stylon Corporation at the annual stockholders' meeting of that company. Besides its main plant at Milford, Massachusetts, Stylon Corporation is erecting a new plant at Florence, Alabama, which will be completed by July 1 of this year.

Financing Shopping Centers

By VICTOR GRUEN*
Architect, New York City
Member, American Institute of Architects

Commenting on rapid growth of suburban shopping centers and methods of financing them, Mr. Gruen offers as three principal criteria for judging shopping centers: (1) business success; (2) convenience, and (3) safety. Lays down standards for a complete shopping center which will determine its economic soundness, and concludes the cheapest, from viewpoint of capital outlay, is rarely the best.

My talk has been announced under the title, "Financing Shopping Centers." This is a subject so broad that it would be difficult for anyone to cover it adequately in many hours. Another of my difficulties is that in speaking about shopping centers, I have found that the term means different things to different people. In many cases it is understood to mean a strip of stores with a supermarket as the principal tenant, comprising possibly 50,000 square feet of rental space altogether; in others it is understood to mean a regional shopping development with a million or more square feet of rental space and a capital expenditure of over twenty million dollars. These different types of shopping centers will obviously require different types of financing. Long-term financing will apply primarily to the regional center, whereas the small neighborhood center will require financing limited to perhaps ten or fifteen years with a higher rate of payoff. The subject is made even more complex by the fact that there are different types of financing involved in almost any type of shopping center. One is the equity financing, which involves not only the money itself, but also the managerial and promotional instinct that is necessary to bring a shopping center into being. The second is permanent mortgage financing, which is likely to be of a conservative nature, and the third is temporary financing in the form of construction loans.

Victor Gruen

I presume that you, as representing banks, are interested primarily in temporary financing and in the financing of smaller centers. I believe also, however, that you are interested in having an informed background concerning all types of shopping centers and all aspects of shopping center financing.

Technical Factors in Types Of Financing

The technial factors involved in various types of financing are readily available to you. By "technical" I mean such questions as appraisal, and the form of the financing document — whether it would be a mortgage, or a debenture, or simply a note loan secured by an assignment of the proceeds from the permanent financing. All these technical factors, which would ordinarily be associated with the title of this talk, I feel ill-equipped indeed to discuss with you, knowing that you know much more about them than I do. What I would like to try to do is to give you the sociological background of this new design and building category, the **one-ownership, planned, correlated shopping center**, and to tell you something about the basic planning concepts, in the hope of assisting you in judging the merits of any particular application for shopping center financing submitted to you. I will talk about both large and small projects, for I feel that small shopping centers require good planning just as much as the larger ones.

My talk should, therefore, be more correctly entitled, "The Planning of Shopping Centers."

Causes of Growth of Suburban Shopping Centers

The growth of shopping facilities in our suburban areas has been going on for a long time. This phenomenon has been recently highlighted, however, by the appearance of the planned shopping center. Because the planned shopping center springs into life full-grown, it is the most dramatic manifestation of the commercial flight to the suburbs. It illuminates with the cold sharpness of a searchlight the problems which our cities face, and in newspaper and trade journal headlines all over the country we find these questions posed:

"Are Our Downtown Areas Going to Die?"

"Will Grass Be Growing on Our Main Streets and Broadways?"

"Are Our Cities Doomed to Become Ghost Cities?"

And most of all these headlines speak about the new excitement of large shopping center projects, calling it "The Shopping Center Fever."

Indeed, it is like a fever. Hundreds of shopping centers are in construction and on the drafting boards. If there is a fever, there is usually a disease, and we don't have to search for it very long. The seat of the disease is obvious. Our cities are sick.

Let us try to diagnose the sickness. Its main manifestations are heart trouble and hardening of the arteries. The heart which is in trouble is the core of our cities. It doesn't function properly, and live blood doesn't flow through it in a normal healthy fashion. The arteries which are hardened are the roads and highways leading to the hearts of our cities. They are hardened because they are congested with the traffic from raipdly growing suburbs and with the thousands of new automobiles which are added daily to the already tremendous automobile army.

The flight from the overcrowded downtown areas, which has gone on with ever-growing momentum for the last 20 years, should have been a warning to all of us that our cities will have to undergo therapeutical treatment if they want to go on living.

Maybe the dramatic appearance of the planned shopping center, springing into being all at once, will have the effect of a psychological shock treatment, arouse people from their lethargy, and set into motion forces to save the hearts of our cities, forces like city governments, civic and cultural groups, merchants, and — gentlemen — you, who represent the financial strength of our society. If and when these forces, realizing the threatened loss of cultural values and, with them, economic values, will act together decisively on such problems as:

Slum Clearance.
Rehabilitation.
Creation of green areas within our city cores.
Creation of parking areas.
Improvement of Traffic Arteries
Enrichment of the social, cultural and civic life in our cities.

Then the health of our cities may be restored, and they will play again the role they were destined to play—to be truly the centers of our civic administration and of our cultural, social, recreational, business and financial life.

The fate of our downtown areas reminds me of a personal experience. I used to know a very pleasant and elegant restaurant in one of our cities. It not only provided delicious food, but it had an atmosphere all of its own. Part of the charm of the place was the beautiful greenery, plants and flowers arranged in the spaces between the wide aisles. I liked to go there and take my friends—and I wasn't the only one who felt that way. Thousands of others did, too. The place boomed, and the happy owner enlarged until he couldn't enlarge any further because of space limitations. Then he started to "pack them in." The beautiful greenery and plants went out. The tables became smaller, the aisles narrower. You waited in line to be seated. Pretty soon the atmosphere was gone, the service went to pieces, the food was cold when it arrived at the table, and business went down rapidly.

Just before it became a catastrophe, the owner decided to build two new restaurants of a similar type and atmosphere. When he opened them, they did well, and the business in the original place, which was reestablished in its original fashion, picked up and is now able to give the amount of convenience and service which is inherent in the operation of a good establishment.

You may gather the moral in my little personal experience, the moral that the demands of a vastly increased population living over a vastly increased area have to be satisfied by new shopping and other facilities. Our choice, therefore, is not whether we should or should not have suburban shopping facilities. Our choice is whether we should have poor, anarchistically-growing, unplanned suburban shopping facilities, which are nothing else but a continuation of the evil from which they are running away, or whether we should have well-planned, integrated centers. It is not a question of building **more** shopping facilities; it is a question of building **better** ones. It is not a question of quantity, but of quality.

I have brought with me a little building-block game, with which I hope to make visually clear a few of the fundamental shopping center rules. This green board symbolizes virginal suburban land. This gray ribbon represents the new suburban highway. As people settle in the area, the need for shopping facilities arises.

The first block of stores snuggles right against the highway. It probably contains a supermarket, maybe a drugstore. As the residential neighborhood grows, other merchants rent space; the strip grows. Store after store is rented, in accordance with no other rule than "first come, first served." This little block symbolizes the shopper's car. She would like to park as close as possible to the front entrance to the market, but only rarely does she find space. If there is some parking space provided behind the

Continued on page 30

*An address by Mr. Gruen at Annual Savings and Mortgage Conference of the American Bankers Association, New York City, March 4, 1953.

Railroad Securities

Impact of Recent Wage Increase on Rail Earnings

Professor Guthrie, a Truman appointed referee, came through last week with his anxiously awaited decision on the demands of the railroad brotherhoods for an increase in wages based on the claimed increased productivity of labor. The decision is binding on both parties and can not be appealed. Announcement of the decision, which came near the end of the trading day, brought about some late selling of railroad equities. The liquidation did not, however, carry over to the next morning when investors had had an opportunity to digest the news and consider its full implications. For the balance of the week most rail stocks just continued to drift aimlessly. Some stocks, including Southern Railway and the speculative Baltimore and Ohio common did push forward into new high territory.

The railroad brotherhoods had demanded a total increase of 18 cents an hour in wages based on their claim of increased productivity. It was requested that part of this increase be made retroactive for as much as three years. Railroad management, on the other hand, made a strong case against the theory of productivity increases, a new departure in railroad labor relationships. It was contended by management, and with complete justification in the minds of most financial students of the industry, that what increased productivity there has been in the industry in recent years has stemmed from capital investment rather than through the efforts of the workers.

Regardless of the merits of the case, it had generally been taken for granted in financial circles that in view of the history of labor controversies for many years past some productivity increase would be granted. This was particularly true with the referee—a holdover from the previous Administration. The extent and retroactive feature of the award, when it was announced, proved to be considerably less burdensome than had been feared in many quarters. The brotherhoods were granted an increased productivity raise of 4 cents an hour, retroactive only to Dec. 1, 1952, the date on which the referee had been appointed.

In the aggregate, it has been estimated that the 4 cents an hour will cost the railroads about $120 million on an annual basis — it represents a percentage increase of slightly more than 2% on existing average hourly wage rates. The $120 million annual figure is before Federal income taxes so that the actual net cost should be considerably less. It is also pointed out in financial circles that the influence on earnings may well be moderated by a 1 cent reduction in hourly wage rates on April 1, 1953 on the basis of the cost-of-living index. Be that as it may, the granting of the productivity wage increase can hardly have any serious impact on 1953 earnings. Granting that nothing that increases costs can be considered constructive, and that establishment of the precedent is not fundamentally healthy, this new development does not alter in any important measure the outlook for maintenance of high earnings in the current year and a continued upward trend in dividend payments to railroad stockholders.

The impact of the wage increase on earnings will vary considerably for different roads. For one thing, basic labor costs are higher for some roads than for others. Also, Federal income tax accrual rates are different for different roads and that will influence the extent to which tax savings will be an offset to the higher wages. Santa Fe, for instance, accrued taxes last year close to the 52% statutory rate. After taxes the wage increase should cost no more than around $0.55-$0.60 a share on an annual basis. This is not bad in relation to last year's $13.29 share earnings. Central, on the other hand, will be relatively hard hit because it paid no Federal tax on its income last year. The increase may run to $1.40-$1.50 a share which would be high in relation to 1952 earnings of $3.83 a share.

C. M. Weber Receives Free Enterprise Award

Collie M. Weber, President of Weber-Millican Co., 50 Broadway, New York City, holds the Free Enterprise Award Certificate presented to him by the Free Enterprise Award Association, Inc.

The winners were selected from an editorial poll of 674 business and trade press editors. The F.E.A.A. Incorporated is chartered under New York State laws. Its aims are to promote incentive and champion the cause of Free Enterprise.

James F. Milhous V.-P. Of First Nat'l Bank

ATLANTA, Ga.—Effective April 1, James F. Milhous will become associated with the First National Bank of Atlanta as Vice-President in the investment department. Mr. Milhous is President of Milhous, Martin & Co.

Hyland Assoc. Formed

PELHAM, N. Y.—Robert J. Hyland, Jr. has formed Robert J. Hyland, Jr. & Associates with offices at 48 Fifth Avenue to engage in the securities business.

SOUTHERN RAILWAY COMPANY

Fifty-Ninth Annual Report for the Year Ended December 31, 1952

Richmond, Va., March 25, 1953.

To the Stockholders of

SOUTHERN RAILWAY COMPANY:

The Board of Directors submits the following report of the affairs of the Company for the year ended December 31, 1952, which is the annual report it is contemplated formally to present to the stockholders of the Company at the annual meeting due to be held on May 19, 1953.

Foreword

Substantial progress was made during 1952 in the Company's program of improvements to effect more efficient as well as economical operation.

Steps were taken toward meeting the 1953 and 1956 long term debt maturities which amounted to $89,605,000 at the end of 1952.

These are the keynotes of the year's corporate history.

I

The Year 1952

Operating Statistics

The Revenues from Operation of the railroad in 1952 were $271,624,397, the largest gross revenues in the history of the Company. This increase of $9,335,189, being 3.56% over the gross of 1951, was due primarily to increased rates and fares as compared with those in effect in the prior year.

The volume of business handled in 1952 and the receipts therfrom, as compared with 1951, were:

	1952	1951
Freight moved (tons)	64,500.413	64,973,796
Average distance moved (miles)	209.55	214.66
Ton miles	13,515,833,244	13,947,550,525
Average revenue per ton mile	1.707c	1.585c
Total freight revenue	$230,743,186	$221,124,004
Number of passengers	2,707,423	3,143,063
Average journey (miles)	257.53	234.72
Passenger miles	697,247,918	737,728,454
Average revenue per passenger mile	2.881¢	2.672¢
Total passenger revenue	$20,089,398	$19,711,642

Total Operating Expenses decreased by $3,861,924, as compared with 1951.

The increase in gross revenue and the decrease in operating expense resulted in the Cost of Transportion (which is the ratio of Transportation Expense to Operating Revenues) being 32.64¢, the lowest in the Company's post-war history, and in the Operating Ratio (which is the ratio of total Operating Expenses to Operating Revenues) being reduced to 69.25¢ out of the operating dollar, as compared with 73.19¢ the previous year.

Railway Tax Accruals again increased to a new postwar high of $43,352,931, an increase of $7,504,687, or 20.93% over the comparable figure for 1951. These tax accruals were equivalent to $1,392 per employee and to over $33 per share on the Common Stock.

Net Railway Operating Income, being the remainder of Operating Revenues after deducting all Operating Expenses, Taxes, and Equipment and Joint Facility Rents, amounted for 1952 to $36,376,960, as compared with $27,947, 212 for 1951, an increase of 30.16%.

The comparable ratios of the several subdivisions of Operating Expenses, Taxes, and Equipment and Joint Facility Rents, expressed in the number of cents out of each dollar of revenue, were as follows:

	1952	1951
Maintenance of Way	12.69¢	13.95¢
Maintenance of Equipment	17.88¢	18.83¢
Traffic Expense	1.93¢	1.84¢
General Expense	3.14¢	2.99¢
Incidental Expense	0.97¢	0.99¢
Totals	69.25¢	73.19¢
Taxes	15.96¢	13.67¢
Equipment and Joint Facility Rents	1.40¢	2.49¢
Grand Totals	86.61¢	89.35¢

After the above deductions, there remained for fixed charges, for other corporate needs and for the stockholders, 13.39¢ out of each dollar of the year's revenue, as compared with 10.65¢ in 1951.

Fixed charges were covered 3.14 times in 1952, as compared with 2.49 times in 1951.

Net Income

Net Income (after taxes and charges) amounted to $27,834,900, as compared with $18,856,597 for 1951.

After a dividend of 5% on the Preferred Stock, the balance of Net Income in 1952 was equivalent to $19.13 per share on the Common Stock, as compared with the 1951 figure of $12.21 per share.

For the year 1952, the Company's return on its total investment, before depreciation, was 4.60%.

Dividends

Dividends of 5% on the Preferred Stock were continued, and there was paid on the Common Stock, out of the surplus net earnings for the year 1951, an aggregate of $4.00 per share, at the rate of $1.00 per share quarterly in March, June, September and December, 1952.

A dividend of $1.25 per share on the Common Stock was paid on the quarterly dividend date, March 14, 1953, out of the surplus net earnings of 1952, after setting aside therefrom dividends of 5% on the Preferred Stock.

Operations

Large expenditures for capital improvements to Way and Structures and for new Equipment during the twelve-year period, 1941 to 1952, inclusive, have been made. A summary classification of these expenditures, less retirements, is as follows:

Way and Structure Accounts	
Grading	$ 7,832,556
Bridges, trestles and culverts	6,081,949
Rails	3,716,927
Other track material	9,879,845
Track laying and surfacing	2,954,043
Signals and interlockers	3,085,415
Roadway machines	2,309,672
Shop machinery	1,734,712
All other	843,357
Total	$38,438,476

Equipment Accounts	
Diesel locomotive units	$ 82,262,776
Freight train cars	40,485,021
Passenger train cars	14,181,141
Work equipment	1,855,318
All other	*28,628,156**
Total	$110,156,100

NOTE: * Credit, due principally to retirement of steam locomotives.

The Company and its affiliated lines since 1948 have spent substantial amounts on yard construction and improvement. Gross expenditures in connection with certain of the more important yards, together with car capacity before and after the expenditure, are as follows:

	Approximate Expenditures	Car Capacity Before Expenditure	Car Capacity After Expenditure
Southern's Inman Yard at Atlanta	$2,100,000	1,769	3,115
Southern's John Sevier Yard at Knoxville	4,000,000	2,898	4,551
New Orleans and Northeastern's Oliver Yard at New Orleans	2,000,000	963	1,310
The Alabama Great Southern's Ernest Norris Yard at Birmingham	10,455,800	---	5,410

In addition to enlarging yard capacity, improved mechanical facilities for operation were installed. The two larger yards, Ernest Norris and John Sevier, are among the most modern car-retarder hump yards in this country. Ernest Norris Yard is an entirely new project placed in operation on September 9, 1952. The major portion of the new improvements at John Sevier Yard was placed in operation May 15, 1951.

On account of such large and continuing capital investments, substantial operating economies have been effected, and were increasingly apparent during 1952. Their result has been a marked decrease in the basis of expense, due to improved facilities, greater use of Diesel-electric locomotives, increasing mechanization of roadway maintenance, and greater concentration of maintenance of equipment in modern Diesel-electric shops.

Constantly improving techniques of operation have also contributed substantially to better operating results.

Comment has already been made on the new post-war low ratio of Transportation Expense to Operating Revenues, and to the decrease in the Operating Ratio.

A striking example of increasing efficiency in train operation was the increase in the "pay load" carried in freight trains, measured by "Gross Ton Miles Per Train Hour," which amounted to 40,506 Gross Ton Miles Per Train Hour transported in 1952, as compared with 37,285 similar units in 1951, and 23,937 such units in 1942.

Labor Relations

A nation-wide settlement was effected with the Engineers, Firemen and Conductors on May 23, 1952, of the dispute involving wages and rules which had been the subject of negotiations since the year 1949. The settlement provided for an increase in the basic rates of pay and contained a cost-of-living provision. As a result of the increase in basic rates, the Company's payroll costs increased approximately $1,645,464 per annum. Payroll costs increased an additional $1,141,800 per annum by the end of the year as a result of the cost-of-living provision. These increases thus aggregate $2,787,264.

Effective May 23, 1952, the date of the above settlement, the United States Government terminated and relinquished possession, control and operation of the railroads.

The settlement with the Engineers, Firemen and Conductors contained a clause (the same as prior settlements in 1951 with the Trainmen and with non-operating employees) providing that if Government wage stabilization policy permitted so-called annual improvement wage increases, the parties could, on or after July 1, 1952, request the President of the United States to appoint a Referee to decide whether further wage increases are justified.

Shortly after July 1, 1952, the Organizations filed notice of their desire for wage adjustments under the above referred to provisions of the Agreements. The parties were unable to reach an agreement as to whether Government wage stabilization policy permitted annual improvement wage increases. At the request of the employees, the President of the United States then appointed a Referee who, on December 30, 1952, rendered a decision to the effect that the Government wage stabilization policy premitted annual improvement wage increases. In view of this decision, and in conformity with the order of the President, hearings were held before this Referee in January, 1953, to decide whether further wage increases are justified and, if so, what the wage increases should be and the effective date thereof.

Increases in Rates, Fares and Mail Pay

On April 11, 1952, the Interstate Commerce Commission, in *Ex Parte 175*, granted the balance of 9% of the 15% freight rate increase originally applied for (it having already granted interim increases to the extent of 6% in Southern territory), but with less increase on certain specific commodities; and on certain others it held the maximum increase to 12%. The increase thus authorized became effective May 2, 1952, and on an annual basis increased the Company's freight revenues by an estimated $18,228,000 on the present level of traffic.

The Interstate Commerce Commission also attached the expiration date of February 28, 1954, to the *Ex Parte 175* increases, and the railroads are now giving consideration to having the expiration date removed and the increases made permanent.

Passenger train revenues improved in 1952 due to the 10% increase in basic fares in Southern territory which became effective November 1, 1951, and the additional mail pay compensation which also became effective in 1951.

Express payments also showed an upward trend as a result of the rate increases authorized in *Ex Parte 177, Increased Express Rates and Charges—1951*, and the changes in parcel post weight and size limits which became effective January 1, 1952. Further increases in express rates and charges are being applied for.

New Rail

During 1952 there were laid 19,057 tons of new rail, as compared with 26,779 tons laid in 1951.

The Company has ordered, subject to allotment, 32,500 tons of new rail for the year 1953.

New Equipment

During 1952, the Company received and put into service, (a) 255 all-steel box cars, (b) 300 70-ton all-steel hopper cars, and (c) 52 units of Diesel power, the purchase of which was referred to in last year's Report.

On January 1, 1953, the Company had on order for delivery early in the year, (a) 3,250 all-steel open top freight cars, the cost of which, estimated at $21,352,500, is being financed by means of Conditional Sale Agreements, payable in quarterly installments running over a period of 15 years, at an average interest cost of approximately 3.59% with no down payment, and (b) 31 Diesel-electric locomotive units, one of which is being paid for in cash, approximately $160,000, and the estimated cost of the remaining 30 units, $4,680,000, is being financed as to approximately 77% thereof or $3,600,000, by means of a 15-year Equipment Trust, at an interest cost basis of approximately 3.041%.

Including the locomotives just referred to, and one on order for one of the Company's subsidiaries, the Company, its affiliates and its subsidiaries have in service or on order 880 units of Diesel-electric power. When those on order are received the operation of the entire Southern Railway System and its subsidiaries will be completely Dieselized.

At December 31, 1952, the Diesel freight units in service were handling 97.17% of the System's gross ton miles, and Diesel-electric power was moving 99.74% of the System's passenger-car miles.

Use in 1952 of the Company's Financial Resources

In addition to meeting all of its current expenses and fixed payments, the Company paid from its treasury during the year the following conspicuous items:

SOUTHERN RAILWAY (Continued)

(1) For capital improvements to Road and Structures, $10,212,702; for Equipment, $13,560,240, consisting of down payments on new equipment $1,671,872, installments of equipment obligations $9,167,505 and for additions and betterments to equipment $2,720,863; making an aggregate of $23,772,942 capital expenditures for the year, as compared with $20,387,507 so expended in 1951;

(2) For dividends, $8,192,800, the same amount as was paid in 1951;

(3) For the acquisition and cancellation of $167,000 principal amount of the Company's Development and General Mortgage Bonds, $175,295; and

(4) For the purchase of the Company's proportion of additional capital stock of Fruit Growers Express Company (along with others of the proprietary railroads owning said company), $244,600.

The Company had left on December 31, 1952, (a) investments in United States Government securities in the principal amount of $42,303,000, held in reserve for the acquisition of debt or reduction of maturing obligations, subject to further order of the Board of Directors, and (b) cash of $34,476,741, as shown in the balance sheet, the latter being reducible by items which were not cleared through the banks at the close of business for the year.

Net Funded Debt and Fixed Charges

	Dec. 31, 1952	Dec. 31, 1951
Funded Debt	$175,711,500[1]	$175,878,500[1]
Leasehold Estates	26,595,700[2]	26,743,000[3]
Equipment Trust Obligations	86,413,655	67,960,160
Totals	$288,720,855	$270,581,660

[1] Does *not* include $12,474,000 of the Company's St. Louis Division Bonds, which were acquired by a subsidiary of the Company as of January 1, 1951.

[2] Does *not* include $18,361,900 of Securities on Leasehold Estates, owned by the Company or its subsidiaries as of December 31, 1952.

[3] Does *not* include $18,215,600 of Securities on Leasehold Estates, owned by the Company or its subsidiaries as of December 31, 1951.

The Company's net fixed charges, on an annual basis, as defined by the Interstate Commerce Commission, were approximately $11,882,000 at December 31, 1952.

Reduction of Long Term Debt

The Company and its System affiliates continued the program of reducing long term debt and fixed charges, which has resulted, during the period 1937 to 1952, inclusive, in retiring, acquiring and being relieved as to securities (which they were obligated to service as to interest, dividends or rental payments) theretofore outstanding in the hands of the public, of over $139,440,000; and the Company's net fixed charges have been reduced during the same preiod by over $4,650,000 annually.

Financial Program

In furtherance of a plan to meet maturities of funded debt coming due in 1953 and 1956, a Special Meeting of the Stockholders was held on November 21, 1952, at which meeting over 72% in the aggregate of both classes of Stockholders approved a comprehensive, but flexible, program for refunding or otherwise providing for such maturities which aggregated $89,605,000 as of December 31, 1952.

The first step in the program was taken in December, 1952, when the New Orleans Terminal Company sold an issue of $8,000,000 principal amount of its new First Mortgage 3¾% Bonds, maturing in 1977, guaranteed by the Company. In January, 1953, the Terminal Company used the proceeds of the new issue, supplemented by approximately $973,000 of its own funds and an advance from the New Orleans and Northeastern Railroad Company (which latter company purchased the stock of the Terminal Company), to prepay, with interest to maturity, the outstanding $11,423,000 principal amount of its First Mortgage 4% Bonds. These bonds, guaranteed by the Company, were thus retired, prior to their maturity on July 1, 1953.

As a second step in its program, also in December, 1952, the Company and its 100% owned System affiliate, the New Orleans and Northeastern Railroad Company, sold $15,000,000 principal amount of Southern Railway Company-New Orleans and Northeastern Railroad Company Joint 3¾% Bonds, maturing in 1977, secured by the properties of the latter company.

The proceeds from the sale of these Southern-New Orleans and Northeastern Joint Bonds and from the sale of the New Orleans Terminal stock to the New Orleans and Northeastern, were applied to or reserved for the purchase for retirement or payment before or at maturity of the Company's Development and General Mortgage Bonds.

The Company made a public offer on January 14, 1953, to purchase for retirement up to $30,000,000 principal amount in the aggregate of any of the 4% Series, 6% Series and 6½% Series of the Development and General Mortgage Bonds, maturing April 1, 1956, which resulted in the retirement of $11,522,000 principal amount of such Bonds, leaving outstanding on February 12, 1953, $53,890,000 of the issue, which had amounted to $111,333,000 on January 1, 1942.

The Company contemplates continuing to purchase additional Development and General Mortgage Bonds from time to time when they can be acquired at satisfactory prices.

The remaining 1956 maturity is that of November 1, 1956, when $12,770,000 principal amount of the Company's East Tennessee, Virginia and Georgia Railway Company Consolidated First Mortgage 5% Bonds come due, for which there are reserved for issuance to the Company against the retirement thereof, an equal principal amount of the Company's First Consolidated Mortgage Bonds, maturing in 1994.

The 1953 and 1956 maturities of $89,605,000 have thus been reduced to $66,660,000 as of February 12, 1953.

To provide for these remaining maturities, in addition to such treasury cash as the Board of Directors may determine to be available for such purpose, the Company has available for issue, pledge or other disposition, collateral, including, (a) $12,500,000 principal amount of bonds secured by a first mortgage on the Company's St. Louis Division, (b) $9,513,200 principal amount of its First Consolidated Bonds of 1994, now in its treasury, (c) the additional $12,770,000 of such First Consolidated Bonds of 1994, reserved against retirement of the East Tennessee, Virginia and Georgia 5's, and (d) many other valuable securities, together with certain unmortgaged property.

The Company has not yet determined when it will take further steps in furtherance of the financial program outlined above.

Federal Tax Liability for Past Years

The Company's federal income and excess profit tax returns for the calendar years 1941 through 1946 have been audited by field agents and additional taxes of $30,192,272.86 are tentatively asserted. The Company has completed and filed its protest to the revenue agents' reports and asserts therein that the actual tax payments made for the period in question exceeded the correct tax liability, as redetermined after further study and on the basis of decisions of the courts since the returns were filed, by $39,484,310.54. The Company's protest was filed on July 1, 1952, but has not yet been considered in detail by the administrative representatives of the Bureau of Internal Revenue, although several preliminary conferences have been held. In the nature of things it is impossible at this time to make any accurate forecast of the final outcome of this proceeding. In the opinion of counsel of the Company, any ultimate additional cost to the Company will not be such as materially to affect its finances but, rather, there is reason to believe that a part of the taxes paid for the period in question may be recovered. Returns for the years subsequent to 1946 are in process of audit.

The Reparation Cases

In June, 1946, the United States Department of Justice commenced the filing of a series of complaints before the Interstate Commerce Commission assailing, on behalf of the United States, the reasonableness of freight charges paid by the Government during World War II. The Company is a party defendant to these complaints, along with other railroads of the United States. Reparation in large amounts is sought, estimates of the Government ranging from two to three billion dollars from the railroads of the country as a whole. It is impossible at this time to estimate the amount which the Company has involved under these estimates made by Department of Justice representatives. All these proceedings are being vigorously contested and are believed to be without merit. Hearings extending over several years have been concluded, and briefs were filed March 18, 1952. It is possible that a final decision will be reached in 1953.

Divisions

In last year's Report, reference was made to the pending controversy before the Interstate Commerce Commission involving divisions of interterritorial rates between the North and the South and between the North and the Southwest and to a proposed report of the presiding Examiners recommending readjustment of these divisions in favor of the North and against the South and the Southwest. On January 12, 1953, the Commission decided these cases by a seven-to-four vote, the majority's decision being slightly less unfavorable to the South and Southwest and less favorable to the North than the previous recommendation by the Examiners. The majority made no estimate as to how much their decision would cost the lines in the South, but the dissenters estimated that the decision would take annually between $25,000,000 and $28,000,000 from the lines in the South and between $12,000,000 and $14,000,000 from the lines in the Southwest and give these amounts to the lines in the North. The lines in the South have filed a strong petition to the Commission for reconsideration.

Seatrain Litigation

In December, 1951, an action under the federal antitrust laws was filed in the federal court in New Jersey by Seatrain Lines, Inc., against eleven railroads, including the Company, and a number of railroad associations. The plaintiff in this action operates railroad car ferries between ports in the South and its terminal at Edgewater, New Jersey. It claims that the defendants have by concerted action sought to impair its operations. It seeks treble damages aggregating $165,000,000 against four of the defendants (one of them the Company) and injunctive relief against all defendants. By order entered November 12, 1952, the court dismissed the complaint and denied a motion by Seatrain Lines, Inc., for a temporary injunction. Seatrain Lines, Inc., has appealed.

II

Industrial and Agricultural Development

New Plants

The manufacturing activities of the South, particularly in that part of the South served by Southern Railway System, continued in 1952 their growth to a greater extent than in any other area of comparable size in the United States. The year saw ground broken for 147 new manufacturing plants at points served by Southern Railway System and there were substantial additions to 114 existing plants, representing an aggregate investment of over one billion dollars. There were also established during the year 57 new distribution warehouses. These new plants and expanded additions are expected to produce substantial new revenues.

Among such plants were:

- A $2 million ammonium nitrate fertilizer plant at Sheffield, Alabama.
- A new optical glass plant at Harrodsburg, Kentucky, which will represent an investment of more than $2 million.
- A new half-million dollar automobile parts depot on the Company's line near Charlotte, North Carolina, which will produce substantial freight revenues.
- The underground storage of liquefied petroleum gas by one of the major oil companies at Dragon, Mississippi, located on the New Orleans and Northeastern's line.
- The Atomic Energy Commission began its Oak Ridge, Tennessee, expansion program at a cost estimated to be $464 million which will approximately double the present freight revenues from that installation.

Not included as a development in 1952 but publicly announced for 1953 were a multi-million dollar modern cigarette plant to be constructed at Greensboro, North Carolina, an electric meter plant at Raleigh, North Carolina, and a welding rod plant at Montevallo, Alabama.

Power

Electric power generation in the South is proceeding at a rate well above the national average. A comparison of installed capacity, June 30, 1952, with scheduled capacity on January 1, 1956, in Federal Power Commission Zone 3 (embracing Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Virginia), on the one hand, and the Federal Power Commission Zone 1 (embracing Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, New York, New Hampshire, Rhode Island and Vermont), on the other, shows:

	June 30, 1952 Installed Capacity	Installed Capacity January 1, 1956 (After scheduled net additions)	Percent Increase
Zone 1 (Northeast)	18,511,763 kw.	24,201,663 kw.	30.7
Zone 3 (Southeast)	10,753,424 kw.	19,866,630 kw.	84.8

Work began during the year on five new coal steam generating plants and substantial additions were made to two existing plants, all at points reached by Southern Railway System, which represent an aggregate estimated investment of $280,725,000.

Metal and Metalworking

The year again showed a steady increase in the South's basic iron and steel making capacity. In addition, the metalworking industry in the South is developing significantly. During the year the following new plants and additions in this field took place on Southern Railway System:

- A $30 million transformer plant at Rome, Georgia.
- A plant to manufacture power shovels at North Chattanooga, Tennessee.
- A plant to produce brass, iron and steel valves and fittings at East Birmingham, Alabama.

Chemicals

The 1951 Annual Report mentioned the new chemical plant under construction at McIntosh, Alabama, to produce chlorine and other products from a recently discovered salt dome and commented on the area's potential for additional chemical development. Progress in such

British Investment Abroad

By PAUL EINZIG

Commenting on recent action by British authorities relating to foreign investment, Dr. Einzig points out Great Britain can ill afford to employ her diminished capital resources on projects which will not result in ultimately improving her balance of payments or which will not secure control of raw material resources.

LONDON, Eng. — By a recent decision the Treasury vetoed an important project of bridge construction undertaken by British firms in New Zealand on the ground that there is not enough capital available for such investment overseas. On the other hand almost simultaneously the Government gave its blessing to the establishment of the British Newfoundland Corporation, Limited, by joint British and Canadian interests for the exploitation of the resources of Newfoundland and Labrador. The apparent contradiction between the two decisions is all the more striking as the New Zealand scheme was to be investment within the Sterling Area while the Newfoundland scheme involves investment in the dollar area.


Dr. Paul Einzig

The explanation of the apparent inconsistency gives some indication of the trend of the official British attitude towards investment in the Commonwealth and investment overseas in general. The New Zealand scheme was vetoed because it was a non-productive capital investment. Although the proposed bridge would be an important link in the Dominion's transport system, it would not yield any tangible return in the form of increased exports or reduced imports. It is true, throughout the 19th Century and to a less extent right to the outbreak of the war, a large proportion of British capital investment abroad consisted of undertakings which were not immediately productive. Today, however, Britain can ill afford to employ her diminished capital resources on any project which will not promise an early result from the point of view of the balance of payments of the Sterling Area, or which does not secure for British interests control over essential raw material resources, whether within or outside the Sterling Area. This principle does not rule out the financing of the construction of means of transports provided that they are vital from the point of view of the commercial exploitation of raw material supplies.

The Government's recent decision to go ahead with the Volta River project in the Gold Coast is a characteristic instance of the new British policy in respect of external investment. The amount involved is many times larger than that required by the New Zealand project, and it is stating the obvious to assert that money invested in New Zealand would be safer than money invested in an African country which is just undergoing a phase of extreme nationalism. Nevertheless, the possibility of increasing the aluminum resources of the Sterling Area through the Volta River scheme provided an irresistible temptation.

The balance of payments position of the United Kingdom is not the only obstacle to a bolder policy of overseas investment. In the case of the New Zealand project it played a secondary part in the Treasury's unfavorable decision. After all, the whole of the amount involved was to be spent in Britain with the exception of the labor involved in the actual installation of the bridge with local labor. It is true part of the raw material needed for the bridge would have to be imported. Even so from the point of view of the balance of payments it was not an unattractive proposition.

The main reason why the Treasury is anxious to put a brake on lending overseas even if it does not involve any excessive pressure on the balance of payments lies in the fear that, apart altogether from balance of payments considerations, there are not enough savings available in Britain for capital investment on a large scale. Although this situation has developed gradually as a result of the burden of high taxation, it is only during the last few months that British opinion began to take notice of what is happening. The figures of small savings, though far from adequate, are not nearly as unsatisfactory as those of the accumulation of large capital. Private fortunes are gradually dwindling down, partly because their owners have to live on their capital and partly because of the heavy death duties. Small savings are not suitable for overseas investment or indeed for any form of industrial investment. They usually assume the form of Savings Certificates or Savings Bank deposits. Less and less large private capital is becoming available for industrial investment and for overseas financing. To an increasing degree the funds for that purpose have to be provided by insurance companies and similar large investors. The increase of their resources does not compensate, however, in full for the decline of the resources of the big private investor.

A revival of investment abroad on a large scale would necessitate a revival of private saving on a large scale. This end could only be achieved through a substantial reduction of direct taxation. For that purpose it would be necessary to make drastic cuts in public expenditure. Possibly the gradual realization by British public opinion that under the existing system there cannot be a revival of lending abroad, and even domestic capital investment is gravely handicapped, may go some way towards enabling the government to muster up courage for reducing public expenditure.

Agriculture and the Farm Equipment Industry

By GERARD J. EGER*
Secretary, International Harvester Company

Mr. Eger traces farming developments in U. S. and recounts the beneficial effects of farm mechanization. Points out few, if any, industries have such far-reaching effects on our national economy and our way of life as manufacture of farm equipment, since it has enabled 15% of nation's workers to produce food and fiber for the other 85%. Calls farm equipment industry an important segment of the national economy, and ascribes its development to "a land where the minds and hearts and hands of men are free."

Of the Four Horsemen of the Apocalypse — war, famine, pestilence and death—who have ridden roughshod over humanity since the beginning of time, the most dreaded and feared is undoubtedly famine. As one writer has expressed it, in all the years of history famine has watched over man's shoulder each morning as he said his prayers, walked with him by day as he went about his work, and laid down with him at night. One early historian recorded 350 major famines but explained that the listing was incomplete because such occurrences as starvation and famine were considered too common-place to merit particular attention.

Gerald J. Eger

Here in this favored land of plenty, it is difficult to realize that hunger and want are still man's daily companions on vast areas of the globe. A world food survey just before the beginning of World War II revealed that at least five out of every 10 people, taking the world as a whole, were ill-fed, and that more than a billion human beings never got enough food for health, growth and vigor. Another two out of every 10 were found to be on border-line diets, leaving only three in 10 who could be considered adequately fed.

Why should America be so favored in this eternal struggle for daily bread? Is it because we have more fertile soil? Actually our yield per acre is somewhat lower than those of other continents. Is it because we have more land? The United States has about 7% of the world's population and 3% of its land, which makes us about average in terms of land per person. How then are we able to produce so much food per capita of population than other parts of the world — twice as much grain per person, for example, as South America and more than three times as much as Asia?

U. S. High Production Per Farm Worker

The answer is high production per farm worker. In this country productive power per man is multiplied through the use of modern farm equipment. Instead of producing the energy to do the work, the American farmer makes use of mechanical energy. He is a director of power at its source.

As you know, the technological development of American industry and American urban life is a familiar marvel to people all over the world. We hear a great deal less, however, about the technological development of American farming.

That development, nevertheless, has been equally great. As a matter of fact, it has been the foundation of our urban growth and development, for a city civilization is simply not possible so long as the great mass of men have to spend their lives trying to extract a living from the soil. It is only when the work of producing food and fiber can be done by a highly skilled and well-equipped minority that an urban civilization and rapid technological advances are possible.

As a justification for that statement, let me offer this. When the Pilgrims tilled their small fields by hand at Plymouth Rock, their methods were little different from those of ancient Egypt, Greece and Rome. Even the pioneers who pushed westward across the Mississippi some 200 years later had only crude plows at best, and usually resorted to the hoe and axe to cut holes in the prairie sod where the seeds of their first crop might take root and grow. In 1850, the farm population of the United States was about 85% and the urban population 15% of the total population. In 1950, 100 years later, the reverse situation existed. The farm population of the United States was then only about 15% and the urban population 85% of the total population.

Use of Mechanical Power

Yet this relatively small group of farmers feeds a nation which has increased in total population by some 500% in the same period. Moreover, it feeds them very much better both from the standpoint of variety and quantity than their ancestors were fed 100 years ago.

Now, when we think of this remarkable revolution that has taken place on the farms, we might think of it in terms of a conversion from animal power to mechanical power in farming operations, and that has been the most recent and the most important change.

But before that, and it is rather startling to consider it, there had to be a change from human power to animal power. Inconceivable as it may seem to many of us today, it is nevertheless true that the crops of 1850 were not even produced by animal power except as animal power was applied to plowing. Crops were very largely hand planted and hand harvested.

As a general introduction, let me say there is nothing uniform about farming. Farming in the United States is infinitely various. It differs with respect to crops, soil, weather, production methods, size of farms, and economic problems. There are enormous variations as between the market gardener of the Atlantic Coast; the Wisconsin dairy farmer; the general farms of Pennsylvania, Ohio or Kentucky; the corn-hog area in the Middle West typified by Iowa and Illinois; the cotton planters of Mississippi, Texas and California; the cane and rice growers of Louisiana; the citrus groves of Florida, California and Texas; the sugar beet farmer in Colorado; and the stockmen and ranchers in the high plains region.

This diversity has come in the last century as the nation expanded westward. A century ago the situation was quite different. At that time, except for the cotton regions of the South, most farming was concerned with wheat and other small grains and with corn. There was more emphasis on field crops as such and much less emphasis on livestock as a marketable crop than is the case today.

But one thing has not changed. Then and now there are certain basic steps in the production of a crop from the earth. They are, first, preparation of the soil, usually by plowing and harrowing; second, the planting of the crop; third, the cultivation of the crop and fourth, the harvesting of the crop. Those are the steps that the farmer must go through in one way or another before he realizes a crop from his efforts, and those are the tasks which farm machines are designed to help him accomplish.

Changes in Farming

I believe you may be interested in a short history of the changes that have taken place in farming during the last hundred or so years, and I have divided it into three sections. First, a brief era of invention and development; second, the era of animal power; and third, the era of mechanical power.

The era of development covered approximately the years 1831 to 1850. Technological change on the farms started with a remarkable spurt of invention and development during this relatively short period of about 20 years. All were designed to make it possible for a farmer to apply animal power instead of human power to his work.

I have told you the sequence of farming operations in producing a crop. Paradoxically, the development of the machines did not follow that sequence but progressed backward through it, starting with the development of harvesting machines. This probably came about because harvest time imposed the greatest labor requirements and also contained the greatest hazards of losses should the ripe crop be damaged in the fields before it could be harvested.

We may say that the era of development began in 1831 when Cyrus Hall McCormick first publicly demonstrated a successful reaper. The machine which was to become the basic grass mower appeared three years later in 1834. The stationary threshing machine also came in 1834. The earliest combine, a machine which harvests and threshes in one continuous operation, appeared in 1836. The steel plow was devised in 1837, and this made it possible to plow the sticky soil of the prairies because it would scour clean where the older wooden or cast iron plows quickly became immovable piles of mud. A two-row corn planter showed up on a limited scale in 1839 and grain drills, which permitted more accurate planting than was possible by hand methods, came along in the early 1840's.

The consequence of this and other developments was that by 1850 most of the essential machines for farming by mechanical power had been introduced, the usual mechanical "bugs" had been more or less ironed out and they were ready for production and general use.

The era of animal power covered approximately the 75 years from 1850 to 1925. Once the machines which I have mentioned had been placed in production, their spread was rapid and their influence correspondingly great. Refinements and improvements constantly took place. Consider the grain harvesting machines as an example.

With the original reaper, a man walked behind the machine to rake the cut grain off the platform. By 1854 a self-raking reaper had been introduced. In 1858, came a harvester on which two men could ride, piling the cut grain into bundles as they went. By 1872 a successful automatic binder using wire was in production. But wire was a nuisance and was dangerous to livestock, and in 1878 the twine binder appeared.

Meantime, the combine was quietly developing offstage. The first combine is said to have been built in Michigan in 1836 but little was done with it in this area. It remained for the farmers of the Pacific Coast to develop a huge combine powered by as many as 40 or 50 horses. This machine suited the great acreages and the dry conditions of the West Coast. It reached the Middle West in smaller form about 1915, and gradually spread eastward, but really did not begin to replace the twine binder until a later time.

I have used grain harvesting machines to illustrate the stages of development in usefulness. Somewhat comparable steps took place in other lines of machines for other farming purposes.

What was the result of all this change and activity, this substitution of animal-powered machines for human labor? To take three of our most important crops and compare the years 1840 and 1920, here are estimates made by the United States Department of Agriculture. The number of man hours required to produce 100 bushels of wheat went down from 233 hours in 1840 to 87 hours in 1920. The man hours for 100 bushels of corn went down from 276 to 113, and the man hours required for a bale of cotton went down from 439 to 281. So we can say that the progress made during the era of animal power, old-fashioned as it now seems, was great.

Development of the Tractor

The era of mechanical power covers approximately the period 1920 to date. For a good many years efforts had been made to substitute mechanical power for animal power. Steam engines were used toward the middle of the 19th century as the source of power for stationary threshing machines, although occasionally in later years steam engines were also used for plowing where the terrain permitted. Steam power was obviously cumbersome and basically unsuited to farm work. So in the last decade of the 19th century many experimenters began work with the internal combustion engine looking toward what eventually became the tractor.

Commercial production of tractors may be said to have begun on a limited scale in the first decade of the present century. By World War I, tractors had achieved some general use and during that war they spread rapidly. The basic tractor from 1910 to 1925 was a four-wheel machine useful mainly for preparing the seed bed and in harvesting operations. These tractors were intended to pull machines which were essentially of a horse-drawn type, although the construction was usually strengthened to stand up under tractor use. In field work the tractor power was applied principally through the drawbar.

Two devices enabled the power of the tractor engine to be applied to related machines. The belt pulley made it possible to use a tractor to run a thresher, a hammer mill, an ensilage cutter, or other such stationary machinery, while the power take-off shaft operated the mechanisms of grain binders, corn binders, corn pickers, potato diggers and other traveling machines with moving parts; thus making these machines independent of ground traction for the first time.

Concurrently with these four-wheel tractors, the crawlers or track-laying type of tractor was developed beginning about 1905. Its chief advantages were its great tractive power in hilly or loose soil conditions and its relatively low height. Small crawlers were used extensively in orchard work, while larger ones were adopted in regions where the main need was for great power in the drawbar.

All of these developments were useful and promising, but they did not solve the farmer's problem. It was still not possible for him to go to completely mechanized farming. The stumbling block was that tractors could not be efficiently used in cultivation. The farmer still had to keep horses or other draft animals for cultivating and, so long as he kept these animals, he had to reserve a part of his acreage to grow feed for them and in many cases farmers felt they could not economically use both a tractor and draft animals.

This problem was dramatically solved in 1924 with the introduction of the row-crop, or all-purpose type of tractor, which has since become the standard type for farming operations and which for the first time made possible completely mechanized farming. This tractor differed from earlier tractors in that it was a three-wheeled machine with high axle clearance. It derived its traction from two large drive wheels at the rear and its steering from a small wheel centered at the front of the machine. Its rear wheels were made adjustable to accommodate different row spacings, and its slender shape forward enabled the operator to see the work he was doing, particularly with forward mounted equipment. For the first time, a tractor could cultivate without damaging the growing plants.

The all-purpose tractor, as its name implied, could and did do everything required on a farm in field operations. It took the tractor out of the class of a partial substitute for animal power and made it unnecessary to keep horses or mules at all. The development of this type of tractor led also to radical changes in the design of many farm implements. Whereas the earlier four-wheel tractors had exerted power mostly through the drawbar to trailing implements, the new type had many of its implements mounted directly on the frame of the tractor itself as quick attachable tools.

Rapid Spread of Mechanized Farming

The spread of truly mechanized farming after the introduction of the all-purpose type of tractor was rapid but uneven. As might be expected, the area of most rapid mechanization was that characterized by row crops and by relatively high farm income—specifically, the states of the middle west and the southwest. Expansion into other areas was at a less rapid rate, especially where the terrain was hilly or mountainous, or where the farms were small. Largely out of the desire to carry mechanization into these areas came the next major step in the development of the farm tractor, the production of small, relatively low-powered and low-priced, models for the smaller farming operations of the country. The year 1933 saw the introduction of an all-purpose tractor substantially smaller and cheaper than any theretofore built, with implements especially designed to fit its reduced power output. This trend toward smaller units of farm equipment continued through the depression years of the 1930's and was intensified similarly after World War II, when very small tractors of eight to 10 horsepower were produced and marketed. As a consequence of these developments, the mechanization of farming in the New England states and all of the states on the South Atlantic seaboard has been espe-

*An address by Mr. Eger before the La Salle Street Women, Chicago, Ill., March 17, 1953.

cially marked since the end of World War II.

The Department of Agriculture statistics show that in 1925 there were 550,000 tractors on farms in the United States. Ten years later in 1935 this had increased to 1,050,000. In 1945 it had more than doubled and had reached 2,425,000. By 1950 it had climbed to 3,800,000, and at the present time it is estimated that there are about 4,500,000 tractors on farms.

As might be expected, a corresponding reduction took place in the population of work animals, horses and mules. The total number of horses and mules dropped from about 22,000,000 in 1925 to about 7,500,000 in 1950. It is currently estimated that for the first time the number of horses and mules on farms is fewer than the number of tractors.

To give you a measurement of the effect of this change on our food supplies, the Department of Agriculture has estimated that from 1918, the year in which the horse and mule population was at its peak, the displacement of animals by tractors resulted in the release of more than 55,000,000 acres of crop land for production of food for human consumption. This one factor alone is believed to account for more than 30% of the total increase in food supplies during this period.

The year 1933 also saw the first introduction of a tractor with rubber tires, instead of steel wheels with lugs, and today practically all tractors and most farm implements are rubber tired.

Another significant development of the early 1930's was the small combine, first introduced in 1932 as the result of the development of the small tractor, which naturally led to experimentation with small machines operated by the power take-off and handled unassisted by the operator of the tractor. One of the reasons for the popularity of the combine is its enormous versatility. Aside from harvesting such grain crops as wheat and oats, combines are now used to harvest more than 100 crops, including soy beans, clover, edible beans, buckwheat, flax, and peas, and today they have virtually eliminated the grain binder from the scene.

The period of the 1940's, especially the years since 1945 when World War II ended, has seen a remarkable series of technical developments, both in new machines and in refinements of existing machines. Perhaps the most remarkable of these new machines is the mechanical cotton picker. It was first announced as a commercially practical machine in 1942, although volume production had to wait until after the war. The successful development of this machine came after more than 40 years of intensive research and experimentation. Some of the major problems involved were the necessity for picking opened bolls without damaging either the unopened bolls or the plant itself, and the problems of leaf stains or trash and the resultant grading down of machine picked cotton. These problems have now been successfully solved. The demand for a cotton picker was great because almost all other operations in the production of cotton, except the harvesting, had already been mechanized. Harvesting required vast amounts of most difficult hand labor, while at the same time the wartime migration of cotton workers to the north, a process which has continued at a high rate ever since, made labor progressively scarcer. To give you an idea of the savings made possible by the mechanical cotton picker and full mechanization, government experimental stations have made these estimates of time required to produce an acre of cotton by hand and machine methods in two major cotton areas: In the Mississippi Delta, 139 hours with one-row mule equipment and hand picking, only 31½ hours with two-row tractor equipment and machine picking. California: 161 hours with one-row mule equipment and hand picking, only 38 hours with 4-row tractor equipment and machine picking.

The last ten years have also seen the introduction and spread of such major machines as the sugar beet harvester, field ensilage harvester, self-propelled combines, precision planters, and that wonderful work saver, the automatic pick-up hay baler, which eliminates one of the hottest, hardest jobs around most farms.

Refinements have also continued to take place. There has been great progress in the speed and ease with which implements can be attached or detached. Tractors themselves show increased horsepower, more flexible transmissions and other improvements, and the use of hydraulic power has become widespread, both for the control and regulation of tractor mounted implements and for remote control of trailing implements. Concurrently with the rising interest in soil conservation, manufacturers have altered or developed equipment in such a way that today a farmer who wishes to follow the best soil conservation practices has little need for expensive special equipment. He can do with his regular farm equipment most of the terracing or other conservation activities which he may want to carry on.

Some Unsolved Problems

Having said so much about the successes of the farm equipment industry, it is only fair that I should mention some unsolved problems. Except for a few crops such as potatoes and beans, it has not been possible to mechanize to any considerable extent the harvesting of vegetables. While various machines have been tried and some are in limited use, there is still much to be done to develop a successful harvester for sugar cane, the world's largest crop in terms of tonnage. There are problems which need attention in the economical harvesting of our enormous corn crop and great need for new methods of handling forage crops to better retain nutritious elements. The control of pests by the correct application of insecticides and the maintenance of overall farm fertility by the application of soil conditioners, chemical fertilizers, and by different methods of planting and cropping, are problems which will require the continued close cooperation of farm equipment engineers and agricultural scientists. Yet, when we look at the developments in farm equipment just in the last ten years, I think we can say confidently that these problems will be solved because of the industry's aggressiveness, research and engineering skill, and its desire to improve.

Summary

To sum up, few, if any, industries have such far-reaching effect on our national economy and our way of life as the manufacture of farm equipment. Its products have eliminated drudgery and have brought better living to American farm families, enabling them to make the United States truly a land of plenty.

By enabling 15% of our working force to produce the food and fiber for the other 85%, farm mechanization has freed the manpower needed to develop other phases of our society and economy: manufacturing, business, professions, transportation and service industries.

The industry is in itself an important segment of our national economy. It not only provides a livelihood for the families of some 175,000 direct employees, but also for many other thousands who supply and transport the coal and ore needed to make steel used by manufacturers of complete machines, and their suppliers. Over 25,000 dealers and their employees are engaged in the highly essential service of moving farm machines from the manufacturer to the farm user.

Mechanization of agriculture, together with industry, enables our economy to support a growing national population—in contrast to the situation on many parts of the globe. Besides the so-called "long line" or "full line" companies, there are literally hundreds of manufacturers who perform the highly important service of building specialized machines. Some of this equipment is used in limited areas to meet local needs, some is intended for specialty farmers, and some requires special skills in manufacturing or marketing. Many specialty manufacturers start as a result of a new idea or invention. Somebody tries out an idea, interests his neighbors in it and, if they offer to buy, he goes into business. Even during depression periods many new firms started in this manner.

The change from hand to power methods in American agriculture in little more than a century is one of the most far-reaching transformations in human history. Farm mechanization has lifted drudgery from the backs of those who produce our food and fiber. It has brought an abundance never before known in any land or era. At the same time, it has released manpower from the farm to make possible our great business and industrial progress. For this miracle of America, the farm equipment industry can take justifiable pride, remembering that it could never have been possible except in a land where the minds and hearts and hands of men are free.

Sydonia B. Masterson With Schwabacher & Co.

(Special to The Financial Chronicle)

FRESNO, Calif. — Sydonia B. Masterson has become associated with Schwabacher & Co. 2048 Kern Street. Mrs. Masterson was formerly with Merrill Lynch, Pierce, Fenner & Beane and prior thereto was Fresno manager for J. Henry Helser & Co.

With Investment Service

(Special to The Financial Chronicle)

GERING, Neb.—Neil M. Gatch is now connected with Investment Service Corporation of Denver.

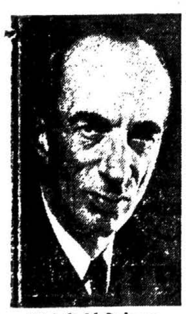
Joins McGhee & Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Elmer Headen, Jr. is now with McGhee & Company, 2587 East 55th Street.

Warns Against Shortage of Key Materials

In an address before the Bond Club of New York on March 3, Fairfield Osborn, President of the Conservation Foundation and the New York Zoological Society, called attention to a trend toward a shortage of key raw materials in the United States. Mr. Osborn said our current national rate of raw materials production is running 10% short of our consuming requirements and that in another 25 years the shortage may rise to 20%. He contrasted the present situation with 1900 when this nation was producing approximately 15% more than we consumed.


Fairfield Osborn

"We are working as Americans," Mr. Osborn noted, "on a concept that we are going to have an increasingly high standard of living, but I don't think it is at all foregone that we are going to accomplish it. I think that this present and growing shortage of many key materials is inevitably going to create problems of international relationships, and affect present attitudes regarding tariff policies.

"Our net rate of annual increase of population is greater than that of India. We are running 1.36% increase now compared with India's net increase of 1.26%. Many of the experts have been wrong on what our population would be. It was expected in the later forties that we would go to a national population of about 160,000,000 and then taper off, remain steady, or perhaps decline. The exact opposite is the truth, and we are headed for a population today which is conservatively estimated to reach the figure of 190,000,000 by 1975.

"There are on the earth today 700,000,000 more people than there were at the beginning of the century. The annual rate of increase is some 20,000,000-odd, and that figure is equivalent to two and a half cities the size of Greater London and Greater New York, or four cities the size of Paris and Tokyo each year. Obviously, that tremendous, dynamic change in numbers of people has a very direct effect on the resource adequacy either in our country or in any other, or worldwide."

Continued from page 24

Financing Shopping Centers

stores, she drives to the rear entrance, walks in through the back door and meets the delivery truck or, if she is really in bad luck, the garbage truck.

Sometimes, when the depth of the commercially zoned lots permits it, the stores are moved back from the highway, and a decisive improvement takes place. Now the shopper can park in front of the store off the street; the front entrance serves for the customer, the rear entrance for service. But even this improved version of suburban shopping facilities is not satisfactory. The strips grow in length; the shopper has to walk long distances to go from the market to the beauty parlor or from the drugstore to the cleaner. And, as such strips develop on both sides of suburban highways, an endless traffic jam is created, making driving, the entering and leaving of parking lots, and the crossing of streets hazardous and difficult.

Planned Shopping Centers

The planned shopping center moves the buildings away from public highways. It welds them into a true center, grouping the stores around a common area. Here you see a mall-type center. The buildings face each other across a landscaped mall. They turn their backs towards parking areas, which are sufficiently removed from the highway system to allow for an efficient circulatory road system belonging to the shopping center. The mall is landscaped and forms an area reserved for pedestrians, safe for children, equipped with rest benches, planted with trees. For all service functions separate arrangements are made; in many cases they move underground through a tunnel which serves the basements of all stores.

If the shopping center grows to a size where the mall would become too long, other plans have to be introduced. We might arrange cross malls or, as my office has done in a number of cases, plan a cluster-type center. Here the store buildings cluster around the department store like chickens around a hen. Instead of one mall, there are a number of garden courts of different sizes and shapes between the buildings.

We have now clarified the terminology. When talking about shopping centers, I am referring only to one type of shopping facility; namely, one which is the result of careful and conscientious planning.

Thousands of so-called shopping centers are being promoted all over the country. The idea of making high value commercial property out of cow pastures has caught on. Because of the understandable desire to make money in a fast and easy way, many centers are promoted which shouldn't even be thought about, and many are planned without enough thought given to them.

When considering financing shopping centers, you must apply a set of high perfomance standards to them in order to assure the safety and soundness of your investment. I will attempt to give you a review of some of these standards. They apply to large and small centers; to the neighborhood shopping center serving about ten to twenty thousand people, to the district center serving up to 100,000 people, and to the large regional shopping center serving a population of 100,000 or more.

Criteria for Judging Shopping Centers

The three main criteria for judging a shopping center project are: (1) business success; (2) convenience; (3) safety.

In order to judge the potential business success, you have to be assured of the existence of sufficient business potential. This should be determined by a careful and thorough economic analysis, which will analyze not only the tributary population and its income, but the existing business competition, thus providing a clear picture of the net potential to be expected. Only when the net business potential proves larger by a wide margin than the planned shopping center potential, can you be assured of taking a reasonable risk.

But the business success of the center will be influenced by other factors than the net business potential. One of the most important of these other factors is the highway and access road system. You should be assured of its soundness by a traffic survey. You will be told very often that the site is surrounded by heavy traffic roads. This sounds very good, but whether it is an asset or a disadvantage depends on the type of traffic and on the type of roads. If the traffic is fast-moving overland traffic, it might be useless to the site. If the roads are taxed heavily by such through traffic and are close to their traffic potential at critical hours, the roads are useless to the site. A traffic survey will have to prove to you that the existing through traffic, enlarged by projected growth over the next 10 years, plus the expected traffic created by the shopping center itself, can be carried easily by the road system. The traffic survey will also have to give you information as to how the automobile traffic from the road will be distributed to the parking areas.

The next factor which influences the business potential of the center is the physical character of the site. The site should be in one piece, uninterrupted by highways or roads. It should be of a shape which lends itself to the planning of a coordinated group of buildings. Its soil should be of a kind which makes complex foundations or other costly preparatory work unnecessary.

And, finally, your business potential will be influenced by the size of the site. The total land area of a shopping center is used for various purposes. Some is used as building area for the store buildings. Another portion is used for public areas like malls, courts, covered walkways, sidewalks and landscaping. Another portion (which for the most part is conveniently disregarded by promoters, is needed for a circulatory road system which makes the transition of traffic from the public highway system to the parking lots feasible. And, finally, a considerable portion, about 60% of the site, remains as parking area.

If a site is not large enough, it will be unable to accommodate a sufficient number of cars to support the business potential; or there will have to be skimping on public space, circulatory roads, etc.; or multiple-deck parking will have to be introduced. When the latter is the case, high additional costs will be incurred which can be economically justified only in exceptional cases.

Parking Lots

Now a word about parking lots. Obviously, there is a relation between the size of a shopping center and the number of cars for which parking space should be provided. Many people have tried to establish a cut-and-dried formula, a so-called parking ratio. These formulas are misleading and meaningless. The number of parking stalls necessary for each individual project will have to be individually arrived at. Many factors influence the relationship, such as the quantity and quality of public means of transportation, the income level and car-ownership status of the people living in the area, and the character and type of the stores located in the center. One thing, however, can be stated definitely. All centers which have been built to date have found that they have not provided sufficient parking space. The best shopping center plan is one which provides for easily expandable parking areas.

I have mentioned as the second and third criteria, which you should apply to shopping center applications, standards which concern convenience and safety. But you can probably see already that it is impossible to separate strictly business potential, safety and convenience. All matters concerning convenience and safety are related to business potential. In fact, the degree of convenience and safety which a shopping center provides may spell the difference between profit and loss.

Considerations of convenience and safety should not be restricted to the shopping center itself. The health of the shopping center depends on the health of the surrounding area. If shopping center traffic is channelled through quiet residential streets, it will make living in the residential area undesirable and will make people want to live somewhere else. Such consideration of the surrounding areas concerns not only traffic guidance, but the appearance of the shopping center itself and of the parking areas adjacent to the residential areas. Landscaped buffer areas can be created to protect the residential areas from the noise, smoke and other disturbances which a shopping center might create. A shopping center which fails to consider its relation to surrounding residential areas will find itself very soon surrounded by blighted and slum neighborhoods, and thus with a greatly decreased business potential.

Service traffic of every type should be strictly separated from foot traffic, and from customers' automobile traffic. This can be achieved by underground delivery roads, separate, well-screened delivery courts, etc.

Distances from parking lots to the closest store should not be too long. Once a shopper has arrived at the center, she should be able to walk under cover, protected from rain and sunshine, from one shop to the other.

Further Suggestions for Good Shopping Center

For the convenience of the shopper, it is important that the center be complete. If it is a neighborhood shopping center, it should offer complete services for daily needs. If it is a district shopping center, it should offer complete services for weekly needs. If it is a regional shopping center, it should offer complete services for all but the most unusual needs. Not only should it offer one complete set of stores catering to those needs, but there should be competition. A woman wants the privilege of shopping—that is to say, comparing style, quality and price. There should be stores of different sizes. Those shopping center developers who rent only to the so-called triple-A tenants, namely, chain stores, forget the need of the shopper for variety and for services which only smaller shops can render. Only a shopping center which presents a sound mixture of large and small tenants will offer variety, interest and color.

The shopping center should be attractive. A center with handsome buildings, landscaped areas, rest benches and many types of pleasant restaurants will attract more people and will therefore do more business.

A center should offer opportunities for the development of social and civic life and for recreation. The existence in the center of auditoriums, community centers, facilities for civic clubs, childrens' activities, theatres, and exhibit areas will attract people to the center more often, will encourage them to stay longer, and will thus make the cash registers ring more often. And over longer periods.

A shopping center should be planned so as to give its tenants efficient and economical service for heating, air-conditioning, ventilation, garbage disposal, incineration, street-cleaning, snow removal, etc. In large centers this will be best accomplished by the construction of management-owned utility plants. The existence of such central plants eliminates the need for the installation of heating and air-conditioning machinery in each individual store, thus saving space which can be better utilized as sales space and eliminating vibration and the presence of ugly super-structures on the roofs.

A shopping center should have a strict policy concerning store fronts, signs and colors in order to avoid a honky-tonk appearance of some individual stores to create an overall pleasant shopping atmosphere.

And a shopping center should not only provide sufficient parking, but parking of high quality. How important this is, is illustrated by the little conversation overhead by the "New Yorker" in which one lady shopper says to the other, "what I hate most about parking is the crash." Parking stalls should be wide enough to permit easy parking and the opening of car doors when packages are placed in the cars; the driveways should be generously dimensioned; and the arrangement of parking stalls should be at an angle at which parking is facilitated.

Many of the standards which I have mentioned as important in judging the economic soundness of a shopping center project may result in higher capital expenditures for the construction of the center. But here, just as in other enterprises, the cheapest is rarely the best.

Wayne Hummer Co. Installs New Service

CHICAGO, Ill.—Installation of an after-hours depositary, the first time this innovation has been used by a brokerage firm, features the new air-conditioned offices to which Wayne Hummer & Co. moved on March 23. Used by banks for some years, Wayne Hummer & Co. have installed a special chute outside their new offices on the fifth floor in the Bankers Building, 105 West Adams Street, which can be used on a 24 hour basis for checks, orders, and other documents which will go directly to the firm's vaults. In this way, security transactions can be arranged after the close of business hours ready for processing at the opening of the market the next business day. This innovation results from a specific demand in the past for a service of this kind. According to George E. Barnes, partner, the new service should have particular appeal for investors who work outside the central downtown area and often come into the loop district after the close of business hours or on Saturdays, Sundays, and holidays.

The new offices of Wayne Hummer & Co. are larger than those previously occupied by the firm in the Bankers Building. Among the other interesting innovations is a new type of customers' library, which utilizes the basic principles of libraries in educational institutions and permits investors to review investment data away from the activity common to all brokerage firms.

Wayne Hummer & Co. are members of the New York Stock Exchange, Midwest Stock Exchange, Chicago Board of Trade, and are associate members of the American Stock Exchange. Its principal offices are in Chicago, with branches in Appleton and Sheboygan, Wisconsin. Partners include Wayne Hummer, George E. Barnes, Harry A. Baum of Chicago, J. William Lawlor of Appleton, Wisconsin, and Walter C. Douglas of New York City.

Tax Shelter for the Family

Authorities, noting tax structure's various ways of impairing saving for future, maintain there are ways to reduce obstacles to financing family security. Cite heavy tax strain on security of family business.

Family security and the security of family owned business have been vastly undermined by the Federal tax structure, according

William J. Casey J. K. Lasser

to a research study, "Tax Shelter for the Family," prepared by William J. Casey, New York lawyer, and J. K. Lasser, CPA and tax expert.* First, showing how the tax structure impairs ability to save for the future, provide for the education of children, finance retirement, carry adequate insurance protection, Casey and Lasser develop ways to reduce the tax obstacles to financing family security.

A man who makes $28,000 has income backet carries a tax lien worth $103,000 over his working years, assuming retirement at 65. Of this, $24,000 comes in post-Korean taxes alone. If he is in a $25,000 tax bracket, taxes will take $408,000 of what would otherwise be his lifetime savings. The post-Korea tax increase alone would take $89,000.

A man who makes $28,000 has $18,500 to support his family, and, if he wants to save $5,000 on top of this, he has to boost his income an additional $11,000. But if the additional money is earned by others in the family, by a trust, a family partnership, a joint venture or a corporation, it may do a great deal more for the family's future.

A man in a 50% income tax bracket and 30% estate tax bracket must make a before-tax premium on $300,000 worth of insurance in order to carry $100,000 worth of net insurance protection. A combination of income tax and estate tax has taken two-thirds of the family insurance security which his earning power should buy. By having insurance carried by one's wife, by a family trust or by a family corporation, it may be possible to make the dollar available for insurance premiums yield from two to four times as much in family insurance protection as by carrying insurance personally.

For a 40-year old man earning $40,000 a year to assure himself and his wife a cash income, after taxes, of $400 a month at age 60, it takes the income of $200,000 capital, yielding 5%. But by transferring the saving program to a trust the same objective may be obtainable on the income of $85,000 worth of capital.

Suppose a father wants to develop a $10,000 fund for a child over a period of 20 years. If he does it out of his own savings, it will take the accumulation of a 5% yield on $20,000 worth of capital. If he does it through a 20-year trust for his child, $8,000 worth of capital would do the same job. Or, if he wants to part with some capital, he could do the same job by making a $4,000 gift directly to the child, so that the child will have an accumulation of $20,000 in 20 years.

*Published by Business Reports, Inc., 225 West 34th Street, New York, N. Y.

Tax Strain on Family Business

The security of the family business is under the same heavy tax strain as the personal security of the individual members of the family. The earnings of a business may be conserved to allow expansion and provide greater financial strength by converting a personal business into a family partnership or by incorporating. By giving each of two children a one-third partnership interest, a father can increase the family security by over $100,000 over a 20-year period.

When an individually owned small business begins to earn $12,000 a year, more money can usually be kept at work in the business by incorporating it. If the business makes $50,000 a family comes out $117,000 richer over a 20-year period. There may be current savings of more than $8,000 a year in incorporating a business which makes $50,000 a year before paying a salary to a sole owner. These savings accumulate in a corporation, and may be taxed again later on when distributed as dividends. But if the business grows and money is kept at work inside the corporation, the savings may be permanent.

Messrs. Casey and Lasser develop many variations of the ways in which a family business can be organized in a corporation, a partnership, a limited partnership, a joint venture. The many complicated rules developed to restrict the operation of family partnerships and the use of incorporated pocketbooks too frequently hit operating businesses for which they were not intended.

Survey Indicates End Of Farm Land Boom

Federal Reserve Bank of Chicago in its March issue on "Business Conditions" gives this view after studying reports from country bankers in Midwestern States.

After studying reports from country bankers in Midwestern states, the Federal Reserve Bank of Chicago foresees a slow setting of farm land prices—in the wake of an almost uninterrupted postwar rise.

According to the Bank, the boom in farm land values is over, as reported in its monthly review, "Business Conditions."

The report states that during the closing months of 1952, selling prices of farms in most sections of Illinois, Indiana, Iowa, Michigan, and Wisconsin halted their climb while some areas dropped off as much as 5%. Currently neither farm land buyers nor sellers appear eager to do business.

According to the bank, causes of the forthcoming softening of land values are: (1) disappearing inflation fears, and (2) sliding farm product prices.

As inflation worries diminish, buyers are slowing the flow of money into farm real estate as an inflation hedge. And with farm product prices in a steady decline, the bank observes, the prospect of a high return on farm land investment appears less promising.

Not all farm land, however, has fared the same in the war and postwar upsurge of land values. The bank points out that land prices in Corn Belt and general farming areas are about double their 1935-39 levels, while dairy and spring wheat areas rose less than the U. S. average of about one and one-half times.

During the last two and one-half years, average land values in the Seventh Reserve District rose more than the national average. While Iowa and Michigan matched the nation's rise of about 25%, Illinois and Indiana farm land prices jumped 32%. Wisconsin land values rose only 17% since mid-1950.

Farm land values in Michigan have been influenced more than those of other Midwest states by city workers' purchases of small farms for country residences. Wisconsin values, the bank states, reflect the less favorable returns from dairy than from other types of farming in most of the war and postwar years.

In part, the lesser rise in Wisconsin land values also reflects the greater stability of dairy income in contrast to other types of farming. Thus, the bank reports, Wisconsin farm land was depressed less in prewar years than land values in other district states.

Rejoins Harris, Upham

(Special to The Financial Chronicle)

DURHAM, N. C. — Naaman F. Morris has rejoined Harris, Upham & Co., Trust Building. Mr. Morris was formerly local manager for Reynolds & Co.

Wilson, Johnson Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Arthur S. Jandrey has become affiliated with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the San Francisco Stock Exchange.

Joins Morgan & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Leonard Wiedrick has been added to the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Filor, Bullard Admits

On April 1 Anthony Scardaville will become a partner, in Filor, Bullard & Smith, 39 Broadway, New York City, members of the New York Stock Exchange.

Two With Hall & Hall

(Special to The Financial Chronicle)

FRESNO, Calif.—Jens L. Petersen and Carl Steinhauer have become associated with Hall & Hall, Bank of America Building.

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An Industrial Look at Atomic Power

disaster to the United States if such a weapon were developed by a group of men of the Hitler type.

In discussing the problem with the wartime Chief of Staff, General Marshall, this was definitely given as one of the major reasons why the work should be carried on. To anyone with foresight there was no choice. It seemed entirely possible, almost probable, that an atomic bomb could be produced in complete secrecy by an autocratic government within 20 years after the conclusion of World War II. And that would mean the end of our freedoms and even of our existence as a nation and a people.

From the standpoint of national security the major aim should not be our own progress in the atomic field, but our progress as compared to that of Russia. This is the sole reason for the secrecy which has been so bitterly attacked both from within and without the project almost from its beginning. There is no perfect solution. Secrecy impedes our own progress, but it also impedes that of the Russians, and it is relative progress rather than absolute progress that is important.

Secrecy with its resulting security rules hinders our progress in the development of atomic weapons, and quite severely, too. It is true that there are some balancing advantages. Certainly if we had had complete freedom of discussion in the early stages of the development the atomic bomb could never have been built, at least in anything like the time in which it was developed. Those responsible would have spent their entire time and energy in defending their plans and actions, both past and contemplated. The recommendations of those not responsible for the success would have received undue weight.

Russia's Secrecy

Unfortunately there is another factor which is generally forgotten when secrecy is discussed, and that is that the Russians do not tell us of any of their progress or their solutions to various problems. Disclosure of information is strictly a one-way street and under such conditions, the major advantages accrue to the nation that does not give out its information.

Moreover, we must remember that the conditions behind the Iron Curtain are not conducive to our learning what goes on in that area. Persons sympathetic to the aims of the free world are not placed in positions of responsibility or of influence. Their problem is to remain alive, whereas in this country there has been almost maudlin sympathy bestowed upon those who apparently feel that there is something glorious about Russian Communism.

When we speak of atomic bombs we must always remember that we are not talking of normal things. Our goal is not to maintain a small but definite degree of superiority in atomic weapons, as we strive to do in the case of airplanes, guns and tanks. Atomic weapons are of such power that any superiority must be great indeed to be truly effective. A 10% or 20% advantage in destructive power is of minor consequence. Our goal must be an advantage of hundreds of percent.

Moreover, this is not a typical international race for improving weapons of war. We are dealing with the problem of our own survival. Atomic weapons delivered upon us in sufficient quantities can inflict terrific even vital damage upon our nation. It is only the fear of retaliation which can protect us from attack, and retaliation is dependent upon the numbers of available bombs, upon the ability to find and reach vital targets, and upon the relative destructiveness of these bombs.

Cannot Depend on Our Superior Techniques

In the atomic energy field we cannot depend upon our superior manufacturing techniques to keep our country safe. We certainly cannot do so if Russia is able to obtain considerable knowledge as to our data and designs. We must delay the passing of vital information into Russian hands as long as possible.

There was certain information which we could not hope to keep from Russia and that was enough to enable her to initiate bomb production within a period of years. But traitors to the free world shortened that time considerably, as did the indiscreet actions of certain loyal individuals and the attitudes of persons who believe that there should be freedom of scientific and technical information.

It is a natural human instinct to want to make known to others one's own accomplishments. In the scientific and technical world this means disclosing the scientific knowledge which the individual has developed. This is the major problem which we face in the industrial use of atomic energy. I consider this far more important and far more difficult of solution than the purely technical problem of how to make use of this force. Every bit of information which is made public, and it becomes public when it becomes widespread, will be of advantage to the Russians. While we would like to have this force used entirely for peaceful industry, Russia wants to use it for destructive purposes. Unfortunately whether we like it or not atomic energy as the world exists today is first of all a weapon of war and secondly a tool of industry. Russia has made it impossible to reach any other conclusion. We can develop the use of atomic force for industrial forces, but we cannot develop it in a goldfish bowl. We cannot carry on research with the altruistic belief that we must share the benefits with all men. And this brings us directly to the point at issue.

Can we achieve the necessary scientific progress for the industrial use of atomic energy under the veil of secrecy which is imposed by the needs of national security? It is not enough to say that the exchange of information is of great scientific value and that with one bit of information one cannot develop a new weapon. We cannot isolate a single bit of information and say this much is harmless by itself. Each bit of information is a part of a jigsaw puzzle which our enemies are trying to put together — the puzzle of just how the Americans are solving their atomic problems. It is true that this jigsaw puzzle is always changing, but when our enemies put it together or put together most of it, the advantage which we have enjoyed since 1945, an advantage which has choked off the Russian thirst for world conquest, will be lost.

We would all like to see atomic energy free for industrial use, free for the terrific development which always results when American industry is given a new tool or a new field of activity. But under the present world situation we will always have to examine each individual question first from the standpoint of the national security. Should we or should we not disclose the information that will be necessary to achieve the desired industrial result? In some instances I feel that we can do this. In others the problem is much more severe.

Atomic Energy Uses Can Be Safely Expanded

I feel that the uses of atomic energy can be considerably expanded without seriously impairing our national security. And this can be done without too rigid security rules. But I feel also that there are other fields of great interest that cannot now be freely explored and developed to the extent that we would all like. Atomic energy is already being used widely as a tool of industry. This use is going to expand. Our anticipation that its first uses would lie in the field of medical research has, I think, been proven sound. In this field it can properly be compared to the microscope or to the X-Ray, as a tool whereby knowledge can be increased. Like the X-Ray it can also be used as a direct means of medical treatment.

Bombs had hardly been dropped on Japan before planning was initiated for the distribution of radioisotopes for medical research. The actual distribution to scientific institutions was started in 1946. This distribution has assisted progress in medical research to a noticeable extent.

I think most of you are familiar with some of the results that have been obtained through the use of these isotopes. I am sure that like many other tools of scientific investigation, the value of such use will increase and that our knowledge of the human body as well as of all other animal life and of plant life will be tremendously enhanced. Our knowledge of plant growth and of the means whereby that plant growth can be increased and directed for the benefit of man, will continue to benefit from the use of these isotopes. One has only to read the garden-supply advertisements to see the indications of this already.

There are developments and prospects of developments in industrial process control by means of radioisotopes which can radically improve our present industrial operations.

In chemical analysis the unique properties of radioisotopes can be extremely useful. Their use permits an increase in the limits of chemical analysis from something like one part in a million to one part in a trillion or better. This far surpasses any human concept such as the proverbial finding of a needle in a hay stack.

This extreme capacity makes possible usable analyses in a great many previously unsolvable problems. Many of you are familiar with some of these applications in the automotive industry, particularly with respect to engine wear under varying conditions.

In the petroleum industry radioisotopes can be used in connection with the examination of otherwise unreachable areas. These are not limited to the oil fields, but include as well the refining, pipeline, and other operations. Radioisotopes are of value in metallurgical research as they permit the study of conditions which could not otherwise be as effectively investigated.

Use of Waste Fission Products

There has been considerable discussion about the use of certain waste fission products in the sterilization of drugs and food products without heating. What the prospects are there is difficult to predict because of some of the inherent difficulties in handling these highly radioactive materials and because of the unknown public reaction. Progress has been made in the measurement and control of thickness of paper and similar products. Whether the use of radioisotopes will be more satisfactory than other methods is, I think, for the future to decide, but there is a distant possibility.

In many other facets of our industrial life radioisotopes can be used for the measurement of very slight amounts of wear. It is no longer necessary to conduct wear tests of parts over long periods of time in order to obtain measurable signs of wear. With radioisotopes the time of such testing can be reduced to a very short period. In general, throughout industry radioisotopes can be used, and their use will increase, in the investigations of many heretofore unmeasurable parts or processes of one kind or another. Through the use of radioactive isotopes we have reached the point where we now can not only measure the points of needles, but can measure invisible, unfeelable entities. The attractiveness of atomic energy lies in the tremendous amount of energy which can be produced from an almost infinitesimal amount of fuel consumed.

And now as to power. What are the prospects? Is it feasible? To my mind it is. When? It is possible now, but it may not be economically sound for at least a decade. First, what kind of power applications are we thinking of? In my mind they are: The large stationary electric power plant, the small stationary electric power plant, and the movable electric power plant. The latter includes power for the submarine, the surface vessel, the airplane, and the unmanned guided missile.

The production of low order heat particularly for use in chemical processing would be a corollary of the stationary power plant.

The use of nuclear energy in the powering of airplanes and guided missiles will certainly not precede its use in stationary and naval vessel power plants. Therefore I would prefer to neglect them in the rest of my discussion.

All of these power plants have common but not unsurmountable difficulties with respect to heat transfer systems, the effect of intense irradiation on the reactor parts and the handling of the highly irradiated fuels from the reactor and their chemical processing. I believe that there will be no impossible barrier to the successful solution of these problems.

Like all competitive processes the decision on the non-military power plants will be made upon economic grounds. The economic problems are still uncertain but I believe that they will not prove to be a barrier to the ultimate use of atomic power under conditions and locations which are favorable to the use of that power. The advantages of nuclear power are so enormous from the standpoint of military capabilities that money will not be the determining factor for naval vessels. Another problem which is often ignored by the proponents of atomic power is the necessity for stand-by personnel. The American people are used to household appliances but how many householders can keep their appliances in order without the aid of factory trained servicemen, and many of us through experience have learned it is usually cheaper and more satisfactory to buy new equipment than to attempt to have existing equipment serviced.

I believe that a nuclear power plant can be run by men not possessed of any particular technical education, but I do not believe that it will ever be safe to operate such a plant without having promptly available the necessary highly trained, highly educated personnel which most of us associate with the nuclear field.

The Supply of Nuclear Engineers

To obtain nuclear engineers of the necessary caliber and to have those men standing by doing nothing day in and day out but always ready for the emergency will be a most difficult task indeed.

The situation is entirely different on naval vessels. The men on board those vessels are accustomed to long, arduous training and a lifetime of being ready when the time comes. Their personnel is imbued with the importance of this and they have as their incentive a love of country.

To design, produce and operate power plants, particularly the industrial ones, will require the disclosure of nuclear knowledge to large numbers of people, and how this can be done without some of it in some way getting into Russian hands, I do not know.

The same security measures will be necessary as have been necessary in the past. Unlike the use of radioactive isotopes which I mentioned earlier, most of the work involved in nuclear power is of a nature allied with the production and use of fissionable materials in quantity. There is also the problem that the quantities of fissionable materials involved in these power plants would be sufficient so that they of themselves would constitute a threat to security.

The destruction by accident or by sabotage of such a plant might well contaminate a large area of the surrounding countryside. Security therefore will always be of importance and it is that reason as well as the necessity for the availability of highly trained nuclear engineers that makes it rather impractical at this time to think of widespread use of the small stationary power plant. It is for that reason that I believe that the future of atomic power in the reasonably near future lies particularly in the field of the large stationary plant and of the submarine and other naval vessels.

For some time to come we must examine constantly any power development, to make certain that we are not putting desire for a higher standard of living above essential military security. We are faced with a barrier in the use of atomic power for industrial purposes, and until that barrier can be surmounted, atomic power development will always be handicapped. The barrier is one you are all familiar with. It is the Kremlin.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — H. Gould Dennison has become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Dennison was formerly with Dean Witter & Co. and Barbour, Smith & Co.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Sheldon J. Nankin is now with Merrill Lynch, Pierce, Fenner & Beane, 1319 Franklin Street. He was formerly with Lawson, Levy & Williams and E. F. Hutton & Company.

Hawkes & Co. Admits

On April 1st Hawkes & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Albert E. Posener to general partnership, and Eugene B. Weisberg, Frieda Long, and Eugenia M. Lipscomb to limited partnership in the firm.

With Keller & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter C. Strong has become affiliated with Keller & Co., 50 State Street.

Private Debt Not at Dangerous Level: Nadler

Consulting economist to the Hanover Bank points out growth of corporate debt is accompanied by larger increases in gross national product, fixed assets, working capital and profits.

Despite its sharp increase since the end of World War II, private indebtedness has not reached a level dangerous to the economy, Dr. Marcus Nadler, consulting economist to The Hanover Bank and Professor of Finance at New York University, said in a report on "The Rise in Private Debt" issued to Hanover officers and customers. Dr. Nadler explained the growth of corporate debt was accompanied by even larger increases in gross national product, fixed assets, working capital and profits. In addition, a large percentage of corporate capital expenditures, he said, was financed from internal sources.

Marcus Nadler

"Nevertheless, this does not mean that individual corporations may not have borrowed more than they may be able to carry in a period of lower business activity and declining prices," Dr. Nadler cautioned. "The fact that long-term corporate obligations usually carry sinking fund provisions should be a helpful factor in the future and prevent serious difficulties."

Individual indebtedness has increased at a faster rate than that of corporations, Dr. Nadler contends, adding: "In part this reflects the large volume of home construction and the increase in the standard of living of a large number of people. It also reflects increased sales of durable consumer goods which are purchased on the instalment plan.

"The sharp rise of home mortgage debt in itself need not cause great concern. Almost all mortgages require amortization payments, the carrying charges are often smaller than the cost of rent, and many mortgages—particularly on those homes in which the equity of the owner is small—are insured by the FHA or guaranteed up to a large percentage by the VA."

But, he pointed out, "it is quite evident that a decline in business activity, accompanied by an increase in unemployment and declining real estate values, would cause an increase in mortgage delinquencies and foreclosures, and losses to borrowers and lenders."

Business activity, Dr. Nadler said, has been greatly stimulated by the sharp increase in private indebtedness. But the growth of debt, particularly that of individuals, cannot be maintained at the pace of recent years.

"The pent-up demand for durable consumer goods as well as housing has largely been met and the percentage of debt repayment by individuals to their disposable income is fairly high," he said. "A reduction in the growth of private indebtedness is bound to affect business activity adversely. The higher the debt rises the more pronounced the effect of the decline will be. A leveling off of individual indebtedness in the immediate future, when business activity will be high, would therefore be a desirable development. Private debt would then cease to be an overstimulus to current business activity and would not act as a depressing force if the trend of business turns downward."

Decries Exaggerated Business Optimism

Dr. Jules Backman, Professor of Economics of New York University, holds, despite record level, there are developments which will lead to decline in business activity later in the year.

Addressing the Textile Fabrics Association in New York City on March 19, Dr. Jules Backman, Professor of Economics at the New York University, warned "The current optimism over the business outlook is being overdone," adding "Business activity is at a record level and some further minor improvement is to be anticipated as a result of the momentum of the recent advance, but, several developments point to a decline which probably will begin later this year and carry into 1954."

Dr. Jules Backman

Dr. Backman stated that "some of the areas that bear watching as potential sources of weakness, are new plant and equipment expenditures, the volume of new housing, private debt which has been financing part of the current boom, farm income, anticipations of the end of the expansion phase of the armament program, corporate profits, less reliance upon inflation by the new Administration, and the trend of basic commodity prices."

"The recent expansion in automobile production and the high production scheduled for the first half of this year, will contribute to a record first half, but it will mean that this industry will not provide a needed offset to any reductions in defense spending later on."

Dr. Backman pointed out that the major question mark remains the future level of defense spending. There have been several indications that the cutback may not be as rapid as was expected earlier. New incidents inevitably create an understandable reluctance to cutback armament spending. However, he continued, "the support to business given by the plant and equipment boom, the housing boom, and the large increase in credit, cannot continue indefinitely. I believe that a let down in these areas will start later this year."

"The distortions introduced into our economy by the inflationary policies of the past two decades and by the armament program, have not been eliminated by the change in Administration," the speaker warned. "It will still be necessary to use up some of the inventories accumulated since the start of the Korean War. The stimulus to the economy resulting from the large number of postwar marriages will be reduced in the years ahead as new family formation declines and new housing starts are also curtailed. The excessive dependence on private debt cannot continue. Consumer credit alone expanded by $4 billion since the lifting of controls last year. Currently, the total is equal to 10% of disposable income as compared with 8.4% last spring. The current ratio is one of the highest in recent years.

"As against these unfavorable developments, there are several that point to continued high level business activity over the next few months," the NYU Professor noted. "These include: the high level of personal incomes, the high rate of savings, the continued high level of armament spending, high level consumption expenditures, the expanding volume of automobile production, a large backlog of orders, and the conservative policies that have been followed by both the consumers and business in the current upsurge."

In the course of his address, Dr. Backman told the group that "it is not generally realized how much of the current level of business and consumption spending is being financed by debt. During the past three years, more than 12% of the total spending has been financed by an expansion in private debt. In contrast, in the 1929 boom, private debt expansion was equal to only about 5.5% of all spending. While the current level of private debt can be carried without too much hardship, it is not probable that private debt will continue to expand at the rate of $30 to $35 billion annually. This private debt is an important prop supporting business today. It is a prop that can be very quickly pulled out. I doubt whether we can continue to expand credit at this rate without running into trouble. The only question is, when will private debt expansion be slowed up?

"The textile industry reached its low point last June. It was one of several civilian industries which went through a period of readjustment after the early Korean boom in civilian buying ended. The recovery in the textile business since last summer has been moderate. Although most of the excess inventories of textile manufacturers built up in 1951 have been liquidated, the total is still high in terms of sales. Thus, in the first half of 1950, inventories were about twice as large as monthly sales; in the fall of 1951, they were three times sales, and at the end of 1952, they were still 2.4 times as large as sales. Large stocks of rayon yarn are on hand despite the sharp liquidation since the early spring of last year. Ample supplies of raw cotton are available with the total at the end of 1952 higher than in the preceding two years. As of Feb. 20, 1,805,000 bales were under CCC loans as compared with 413,000 bales on the same date a year earlier."

Regarding the textile outlook, Dr. Backman forecasts that "Under the impetus of high volume economic activity, a further modest recovery in cotton textile sales is probable. However, lagging department store sales combined with substantial inventories of cotton, rayon, and textile mill products, indicates that there will be no major pick-up in production. Textile prices should show only minor changes in the months ahead. Profits should be improved since the sharp drop in raw cotton prices has meant a significant improvement in the mill margin over a year ago. The margin is somewhat more favorable now than in the months immediately preceding the start of the Korean War."

East Ave. Secs. Co.

ROCHESTER, N. Y.—W. Richard Thomas has formed the East Avenue Securities Company with offices at 42 East Avenue to engage in the investment business.

Boston Investment Club To Hear W. Maynard

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held at the Boston Yacht Club on Tuesday, March 31 at 5 p.m.

Walter Maynard

Principal speaker will be Walter Maynard, partner of Shearson, Hammill & Co., New York City, and a past President of the Association of Stock Exchange Firms. His subject will be "Intelligent Investing in 1953."

Snow, Sweeny Co. Formed in New York

Snow, Sweeny & Co. Incorporated has been formed with offices at 44 Wall Street, New York City, to engage in the securities business. Officers are W. H. Snow, President; T. T. Sweeny, Vice-President; E. L. Schulze, Secretary and Treasurer; and Virginia Campbell, Assistant Secretary. All were formerly officers of Blair, Rollins & Co., Inc.

Gill, Pope Co. Formed

Frank I. Pope and Jesse S. Gill have formed Gill, Pope & Co. with offices at 25 Broad Street, New York City, to engage in the securities business.

Securities Salesman's Corner

By JOHN DUTTON

The Right "Approach" as a Sales Factor

Some salesmen have told me that they would rather go out and see people whom they have never met before than do anything else. Naturally, these men seem to have little difficulty in opening new accounts—they enjoy it! In most instances it is their approach which not only obtains interviews for them, but also it is the main reason why they make sales.

Most sales are made or lost, the moment you enter the presence of your prospect. If you will analyze why this is so, I think you will agree that as soon as you meet other people they can see an expression of your own inner feelings and convictions in your attitude. I think these things show up in ways we cannot hide, anymore than if we carried a sign on the front of our coat. If we believe in what we are doing—the other man will sense it. If we are trying to do a good job and believe that we are helping others, that also is transmitted to others. And if you are doubtful of yourself and your mission, it will also be very obvious to others — you just can't hide things like that.

That is why a sound foundation is essential. If you know the securities business — if you have background—if you can remember and point out the pitfalls of the past—if you can sit down with another man and help him to visualize his investments more clearly than he has ever been able to see them before—you are not going to fumble around and hesitate. When he meets you there will be something in your face, your manner, and your tone of voice that will either tell him that he may be able to gain some benefit from an interview with you, or he will not. The reaction is almost instantaneous. Sales psychologists have made studies of almost every phase of the selling process, and they claim that it is only a matter of a few seconds, right at the beginning of your approach, which often determines whether or not you will make the sale.

The same holds true when you are arranging appointments over the telephone. A voice with a personality behind it conveys a positive impression. You have, no doubt, often made a metal note of the different ways that voices register with you, when you talk with people over the telephone. Those who drop their voice at the end of a sentence leave you with a "let down" impression. Those who are too "breezy" may annoy you. Others have a way of making you feel that you are right next to them, sitting in the same room, and there is warmth, and an expectancy to their conversation that conveys friendship, confidence, and good-will. This is something that cannot be affected—it must be real. Sometimes I think that the man who just tries to believe in what he is doing, and does it in a way that is best suited to his own personality, is the man who scores the most bull's-eyes in saleswork, or any other kind of work.

In respect to whether or not it is more advisable to attempt to make telephone appointments, rather than going out and calling directly upon prospects, it is my belief that a great deal depends upon your own state of mind and the territory you are working. Some morning you may just feel right about going out into a certain section of a highly congested area and calling upon six to ten likely prospects. Another time you may feel more like sitting down at your telephone and arranging some interviews for several days ahead. You may be in a rural area, and again your own inclination and judgment will guide you as to whether or not you should step into a telephone booth with a pocketful of nickels and make some appointments, or go right ahead and make your calls.

I don't mean by this to imply that impulsiveness and intuition should rule over one's actions in planning, or in actual sales work with clients and prospects, but there is a close connection between our own emotional outlook and the way we work at different times. If you feel right and you are sure of yourself, you are going to have the right "approach" whether you meet your man on the telephone, or call to see him at his home or office.

Gordon Bros. & Co. Forming in New York

On April 1, Gordon Bros & Co., members of the New York Stock Exchange, will be formed with offices at 120 Broadway, New York City. Partners will be Paul J. Gordon, member of the exchange, Irvin H. Gordon, and Edward T. English. Paul and Irvin Gordon are partners in Nielsen, Gordon & Co. Mr. English was a partner in Kaufmann, Alsberg & Company.

Former Truman Adviser Warns of "Boom's" End

Robert C. Turner predicts it will be difficult to maintain present prosperity after defense spending hits peak in 2nd half of year.

At a round table discussion on the business outlook at the meeting of the United States Savings and Loan League in Washington on March 19, Dr. Robert C. Turner, the last appointee of President Truman to the Council of Economic Advisers, who resigned with the advent of the Eisenhower Administration, expressed the view it is going to be increasingly difficult to maintain current prosperity when defense spending hits its peak in the second half of this year.

Robert C. Turner

In presenting statistics of the current high level of business activity, Mr. Turner described present conditions as "a boom on top of a boom." He ascribed the high level of activity to intensified consumer demand, and finds there are now "two flies in the ointment," viz, inventory accumulation and expanded consumer credit.

As to the trend of defense spending, Dr. Turner said, "outlays would reach a peak only slightly above the level of the April-June quarter of last year—$13,300,000,000.

"They should reach this rate in the last half of this year, level off for several months, and then decline gradually.

"Nothing yet done or said by the present Administration indicates a revision—certainly not an upward revision—in the forward estimates contained in the President's (Truman's) budget message of last January," he said.

Mr. Turner recalled, in the course of his talk, that he had "created a bit of a stir" last September when, upon joining the President's Economic Council, he said defense spending virtually had reached its peak. He then forecast serious problems in maintaining high-level business activity when the upward thrust of military spending ceased. He told the savings and loan officials that his statement was "correct then and it is still correct."

Dr. Turner concluded his review of the business outlook by pointing out that the next year or two will be a period of severe testing. Though avoiding a definite prediction as to the timing of a recession, he remarked that "it does appear that the boom is a very old boom and that it may be difficult to find any new sources of demand to maintain economic growth." He emphasized that the economy must grow to remain stable, and, like a boy on a bicycle, we must keep going forward to remain upright. He added that with an increasing labor force and increasing labor productivity, it is essential that we increase output by about $10 to $12 billion a year, if we are to maintain a high level of employment.

Continued from first page

Escalators and the Productivity Racket

is, the less sense it makes. What should one say, for example, of the attempt to improve it by including the cost not only of videos but also of "eating out" (presumably with one's wife or girl friend)?

Using the Consumer Price Index

The practical meaning, for policy purposes, of the consumer price index was originally: to provide a standard for "living wages." Labor's remuneration should not fall below the minimum of existence, was the idea. Accordingly, the index was to cover basic items only, the necessities in food, housing and clothing. Industrious statisticians built it up to an all-inclusive — and consequently quite unreliable—measure of all prices actually paid by a fictitious consumer. This is the standard of wage fixing that serves as the perpetual motor behind the cost-price-cost-spiral in Sweden, France, Australia, etc. (The latest escalator: French doctors are paid by the Medical Security on the cost of living scheme.)

Presently, it tends to raise pay checks when people spend more than they did before, unless technological progress offsets the inflationary drift. If people do not save, wages tend to go up; down, if they do save. Should they acquire the habit of breakfasting on caviar from Iran rather than on cornflakes from Iowa, the index may turn upward. More significant is the automatic self-inflating device written into the escalator: each time rising wages inflate prices, wages have to be boosted again.

Sales taxes and excises are included as part of living costs. (Income tax may come next.) In other words, the incidence of these taxes is shifted from labor's shoulders on the employers, in turn raising costs. The unions contend that profits would take the beating. In reality, the major part of the added cost goes of course at the Treasury's expense, the rest at the consumer's—provided the credit inflation keeps rolling (as it does).

Fallacies of the Escalator

The escalator is a statistical illusion and an economic misfit. It is open to political manipulation, though no such interference has been charged thus far. In any case, when the cost of living declines, or stands still, the unions seek to repudiate the "standard." The United Automobile Workers (C.I.O.) ask that the 26-cent hourly cost-of-living bonus they have pocketed should be added to the members' base pay and wages raised further by a new formula.

General Motors most generously provided them with another formula for ever-higher pay: the so-called improvement factor. The idea is that labor should get its proper share in the product it has (allegedly) produced. Needless to say, the rule applies only when the product goes up; downward adjustment is not implied. Nay, G.M.'s famous contract offers the bonus for years in advance. The clear implication is that labor's "productivity" always rises, never declines. Should company earnings fall off, the unions undoubtedly will treat the productivity bonus the same way they now want to treat the cost-of-living index. Both are meant as one-way escalators, excuses for boosting wage rates.

The improvement factor is loaded with vicious fallacies. In the first place, it does not function as an incentive wage; it furnishes no incentive to the individual or the shift. It is not even profit sharing, since the gross income of industry, not the net, is the base (if any) of computing the factor. It is a crude device, too, inasmuch as it fails to distinguish between physical and value productivity; also, between real and nominal increase in the firm's earnings, etc. In any case, its automatic character—promising added hourly earnings in advance of an actual increase in "productivity"—is obviously unsound labor market politics. The result must be not only inflationary. A presumption of the employees' right to annually rising wage rates, come what may, is created.

Actually, disincentives are brought into operation by this method of remuneration: by offering the same improvement to all employees without regard to their actual contribution or to their base pay. The inherent leveling of incomes between the skilled and the unskilled can only discourage the former.

The essential question is whether a productivity-escalator automatic or otherwise, has any justification whatsoever. It may be recalled that since 1939, labor costs in 10 leading manufacturing industries have doubled while output per manhour has increased by scarcely 20%. That leaves no reason for raising wages without a major rise in production—even on the "labor-productivity" assumption — except on grounds of sheer opportunism.

Yet, nearly two million employees are covered already by contracts with the "improvement" clause, running for as much as five years ahead. And the practice is spreading. Lately, it receives governmental blessing. The Presidential representative to deal with fresh demands of the railway Brotherhoods was reported considering "the question of whether railroad labor is entitled to a wage advance on the theory that the amount of transportation produced by each hour of railroad labor has increased." Yes, is the answer, of course. The trick in a trick question is its formulation which excludes any other answer but the one intended. If you take it for granted that the additional amount of transportation is "produced" by the number of man-hours applied (or rather, paid), then labor is evidently "entitled" to a share in the added product. (How kind of labor, given this theory of wage-equity, that it does not ask for the whole profit—as British coal miners do—even when output per shift declines.) All the men have to do is to avoid elevating the number of man-hours by more feather-bedding. The inescapable conclusion appears to be that the average hourly compensation of railroad employees should be upped again, despite the fact that since 1939 it has risen by 150%, against a bare 30% increase in gross ton-miles performed. Incidentally, freight rates had to be boosted in the same period by 79% on the average, notwithstanding the introduction of "revolutionary" cost-cutting devices, the diesel engine in particular.

The subsequent decision of Professor Paul N. Guthrie, the Federal mediator in the railroad dispute, is interesting for its double-talk. The Brotherhood received the raise it demanded, but the mediator denied the contention of the carriers that this establishes an advance compensation for future and therefore unknown productivity. Then he proceeded to argue that inasmuch as the contract is for three years, productivity may be assumed for that period and 4c out of the hourly raise of 12½c is for that reason, while the rest is to improve the employees' living standards.

The Diesel motor offers a good example of what is at stake. Leaving aside the non-operative employees—whose pay checks follow the others—one may ask: how is the conductor's work in clipping tickets affected by the kind of locomotive in use? Or what does he contribute to reducing fuel consumption per passenger-mile?

Consider the engineer himself: Does he work longer or harder at the controls of a diesel motor than of a steam locomotive? Does he exert more skill, put in more mental or physical effort, incur greater discomfort or more danger to life and health? The answer is no; nay, technical progress lightens the physical and mental burden on the operators. Actually, labor's contribution to this progress is negative: the Brotherhoods resist every major technological improvement—in order to blackmail the companies.

Built-In Monstrosities

The productivity escalator is a collection of statistical, economic, political and ethical monstrosities. General Motors has not derived its rate from the company's own, but from the national (long-run) 2½% annual increment of output per man-hour. Because gross national product per work unit, in "constant" dollars, allegedly has risen in the last 50 years at an average yearly rate of 2½%, therefore labor is entitled from here on to that percentage of hourly wage advance every year. Leaving aside the statistical fallacies of the "labor productivity" concept: it is dilettantism of the first water to use such over-all figures as the mythical G. N. P., vague approximations at best, for guidance in a vital sphere of public and business policy. Moreover, it is undiluted hokum—borrowed straight from Karl Marx!—to impute the added product to a single one out of numerous productive factors at play, to the one which more often than not is totally innocent of having brought about the increment. And how is a fixed rate of continuous wage-increase, applied all-around in a uniform fashion, compatible with a highly diversified and specialized production and marketing setup? Is this not the principle of a Planned Economy — in the midst of a free enterprise system—managed in a mechanical fashion by arbitrarily concocted index numbers?

Trade Union Monopoly

Perhaps the most undesirable aspect of the "improvement factor" is that it provides a fake justification for monopolistic practices on the labor market.

On a free market, wages are subject to bargaining like other prices. There can be no objection to labor charging what the traffic can bear; nor to the use of its chief bargaining instrument, the strike weapon. Presently, the unions hold the whip-hand, thanks to public policies which by sowing inflationary full employment must reap a tight labor market. But the strike weapon can only be used on a nationally significant scale if public opinion tolerates it. That is a political issue; that is where the labor-productivity doctrine enters. It misleads public opinion into accepting wage claims under a spurious theory, with no foundation in logic or reality. It provides the aureole of an economic rational and distributive justice to a monopolistic pattern in the very base of the price mechanism.

The Unions' monopoly power is immeasurably strengthened—and the resistance against inflation weakened—by escalators. And the labor "leaders" are not even intelligent monopolists. The wise monopolist adjusts his prices to the elasticity of demand, so as to maximize the dollar volume of his sales. The Unions are one-track monopolists who raise their prices on every occasion, unmindful of the consumer—of labor itself. They ignore the obvious: that labor's true productivity-bonus consists in lower prices, in the rising purchasing power of his wages. In ultimate resort, they rely on the government that must not permit unemployment to arise. The Marxian labor-productivity theory can only be sustained with the aid of the Keynesian spend-yourself-into-prosperity doctrine.

"Cooperating with the inevitable," was the candid excuse of Mr. Wilson (General Motors) for his productivity-escalator. Appeasement should be the correct word for that; and appeasement is always due to "glib, lax, easily complacent and perilously smug assumptions," quoting a Conservative comment on Eden's recent surrender to Egypt's General Neguib on the Sudan question. Appeasement is surrender to an extortionist; it never pays the kind of dividends the appeasers expect —peace. Witness the Automobile Workers' fresh claim for a raise of the annual raise: to boost the hourly pay increase from 4c to 5c, notwithstanding the fact that their contract is three years from maturity. And they do not even try any more to justify their new demand by reference to productivity.

NOTE: As this article goes to print, an attorney for the Chicago Federation of Labor informs me that the A. F. of L. unions consider the escalators as mere "fringe benefits," which served the primary purpose of circumventing limitations on wage raises while "stabilization" was enforced.—M. P.

Dempsey Retail Staff Joins Ames, Emerich

CHICAGO, Ill.—In an arrangement between two prominent La Salle Street investment houses Jack R. Dempsey has become a Vice-President of Ames, Emerich & Co., Inc., 105 South La Salle Street, and the Dempsey & Company retail sales staff becoming part of the Ames, Emerich organization.

Donald E. Nichols, President of Ames, Emerich, and Joseph E. Dempsey, President of Dempsey & Company, said the retail staff transfer involved 9 members of the Dempsey Chicago office and six Dempsey representatives in Danville, La Salle and Aurora, Ill., Muscatine and Cedar Rapids, Ia., and Dallas, Tex.

Dempsey & Company will continue its business as a specialist and odd-lot member dealing with brokers on the Midwest Stock Exchange and will continue in the purchase and sale of businesses, Dempsey said.

Members of the Chicago sales staff now affiliated with Ames, Emerich are Albert J. Ellison, Robert A. Moss, John E. Cahill, Stuart P. Williams, Miss May L. Hartigan, John H. Helmer, George E. Wright, T. Leo Reynolds and Ralph R. Warren.

With Fusz-Schmelzle Co.

(Special to THE FINANCIAL CHRONICLE)

BELLEVILLE, Ill. — Oliver J. Ruhmann is now connected with Fusz-Schmelzle & Co., 21 South High Street.

Oscar E. Dooly Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Thomas E. Mattson is now associated with Oscar E. Dooly & Co., Ingraham Building.

John F. Moors

John F. Moors of Boston passed away at his home March 23 at the age of 92. Prior to his retirement he was President to the Boston investment firm of Moors & Cabot.

Public Utility Securities

By OWEN ELY

South Carolina Electric & Gas Co.

South Carolina Electric & Gas made a remarkable earnings "comeback" last year, reporting 90¢ a share for 1952 compared with 52¢ in 1951, in which year it encountered a severe drought. The company's earnings position was greatly strengthened in 1952 by (1) additional steam capacity; (2) reduction in contract sales of hydro power; (3) a rate increase, and (4) initial progress in setting up the new subsidiary, South Carolina Generating Company, designed to furnish part of the electric energy requirements for the $1.5 billion Hydrogen Bomb plant now being built for the Atomic Energy Commission by duPont.

President McMeekin, in a recent talk before the New York Society of Security Analysts, presented a booklet containing the following forecast of earnings:

1953	$1.07
1954	1.62
1955	1.60

The estimated figures for 1954 do not include a normal accrual of Federal income taxes (due to a carry-over deduction); and if this year were placed on a pro forma tax basis it is estimated that earnings might be reduced to around $1.45 a share. However, for 1955 the forecast seems to be a regular tax basis.

This utility company is perhaps the only one which has had the courage to publish three-year forecasts of earnings, with the figures set out in considerable detail in a booklet made available to security analysts and others. Executives of some utility companies are willing to mention their budgeted estimate for the coming year, but without much supporting detail; but most of them are loath to do any "crystal-ball gazing," as they term it. We think the management of South Carolina Electric & Gas is to be congratulated on its initiative in preparing and releasing these figures.

The forecasts take into account the recent sale of common stock, which was offered to stockholders on a 1-for-7 basis, and also the proposed similar sales in 1954 on a 1-for-9 basis and in 1955 on a 1-for-11 basis. Earnings are stated on shares estimated to be outstanding at the end of each year rather than on average shares.

In a similar three-year forecast released about a year ago, South Carolina officials had estimated only $1.22 per share earnings on a consolidated basis for the year 1954, which compares with $1.62 in the new forecast. A comparison of the two estimates indicates that the parent company's revenue are now projected at a somewhat higher figure, $31,424,500 vs. $30,031,400, while the estimate for operating expenses has been reduced about $610,000, so that despite increases in maintenance, depreciation and taxes, net operating income is boosted about $1,306,000. Estimated dividends from the new subsidiary, South Carolina Generating Company, have also been increased from $1 million to $1,200,000.

Interest charges are somewhat higher but the credit for interest on construction has been stepped up from $91,000 to $413,800, so that there is a net reduction of about $177,000 in income deductions as compared with the earlier estimate. The amount of dividends on preferred stock is also lower by about $124,000. As the result of these various changes, the estimate net income for the parent company is raised from $3,563,500 to $5,370,300. In the forecast of earnings for the subsidiary company, the changes are less significant, except that Federal income taxes are estimated at only $41,000 vs. $213,300 in the original forecast, which, as pointed out above, seems very low. As a result net income for South Carolina Generating Company is estimated at $906,000 compared with the earlier forecast of $793,500. The 1954 consolidated balance for common stock is now forecast at $5,076,500 vs. $3,357,000 formerly.

For 1955 the estimated operating income for the parent company is about $1,063,000 above that of 1954, but higher income taxes for the subsidiary would reduce its operating income by about $376,000. In the consolidated column, the 1955 gain in operating income is largely offset by heavier fixed charges and the increased taxes of the subsidiary company, so that allowing for the increase in stock the earnings per share are approximately the same as in 1954.

President McMeekin in his talk stressed the rapid diversification and growth of industry in South Carolina. He expects a substantial increase in residential load due to the increasing use of TV, room air-conditioners, and the heat pump. The latter provides both winter heating and summer cooling; the temperature range in the State is ideal for developing the use of this new appliance, which is being produced by General Electric and others and is expected to go into volume production within a year or so. Air-conditioning should increase residential business by an estimated 5 million kwh. per annum and TV may increase it around 10 million kwh.

The company's gas division expects to benefit by obtaining natural gas for Columbia, Charleston and other cities in the coming year or so. The bus division, which contributes only about 7% of revenues, has now obtained a 10¢ fare and is able to break even; a further increase to 15¢ may be obtainable if necessary.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Paulin J. Walburn is now associated with Waddell & Reed, Inc., Barclay Building.

Lamson Bros. & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Bert Collins is now associated with Lamson Bros. & Co., Merchants Exchange Building.

William F. Belknap With Wm. R. Staats

SAN FRANCISCO, Calif.—William F. Belknap has become associated with William R. Staats & Co., 111 Sutter St., as Manager of the corporate trading department. Mr. Belknap was formerly Manager of the trading department for the New York office of Walston & Co., and prior thereto had been associated with that firm on the Pacific Coast.

William Belknap

Rauscher, Pierce Co. Expands Offices

DALLAS, Texas.—Rauscher, Pierce & Company, Mercantile Bank Building, announces the opening of an office in the Amicable Life Building, Waco, and in the Lubbock National Bank Building, Lubbock. F. G. Elliott, formerly a partner of Elliott & Eubank, has been elected Vice-President of Rauscher, Pierce & Company, and will be in charge of the Waco Office. Ernest E. Dickey and F. Glassell Elliott, Jr. are co-Managers of the Lubbock office.

Rauscher, Pierce & Company also have announced the appointment of Robert G. Day as East Texas representative of their municipal bond department with headquarters at 1819 Boldt Street, Tyler.

Phila. Bond Club To Hear Sir Percy Spender

PHILADELPHIA, Pa. — The Bond Club of Philadelphia is having a luncheon on Thursday, March 26, at 12.30 p.m. at the Union League. The speaker will be Sir Percy C. Spender, Australian Ambassador to the United States.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Anne V. Adler is with Merrill Lynch, Pierce, Fenner & Beane, 710 North Water Street.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Mrs. Nancy R. Christman is now affiliated with King Merritt & Co., Inc., Rutland Building.

Canadian Securities

By WILLIAM J. McKAY

Because of the widespread interest in western Canadian petroleum developments in recent years, the review and forecasts of the situation by the Canadian Bank of Commerce, published recently, is of timely significance. According to this review: "Western Canada is just entering the preliminary stage of exploration. Its sedimentary basin is approximately three times the size of Texas, a State that has a history of more than 50 years of active oil production and has been the scene of more intensive exploration than any other area in the world. Nevertheless, Texas maintained the number of holes drilled in 1952 at 17,000 compared with 2,150 in all of Western Canada in the same year, so it will be seen that the surface is barely scratched. The exploratory drilling and geophysical surveys carried out on the Canadian plains and in the foothills during the past few years have added greatly to our knowledge of the subsurface, and the technical benefits thus accruing are invaluable in leading to an acceleration in the discovery rate.

"The proved recoverable reserves of Western Canada may be conservatively calculated at 1,700 million barrels at the close of last year, although some estimates range as high as 2,000 million barrels. Until exploration activity becomes more extensive the size of annual additions to reserves may be expected to be erratic. The irregularity of the discovery of major fields (100 million barrels or more) in the Canadian inland plains has been a contributing factor in the comparatively wide variations in the first column of Table No. 1. The record commenced with Turner Valley many years ago, followed by Leduc-Woodbend, Redwater and, in 1949, Golden Spike. Important new fields continued to be found thereafter but none was of major significance until early in 1952 when the Bonnie-Glen Pigeon Lake strike in a Devonian D3 reef consisting of nearly 700 feet of wet gas and oil column indicated reserves of 200 million barrels on subsequent development. This directed a concentrated search into virgin country where results are showing promise of further finds.

"The realization of sizable proved reserves over a short period of years is impressive, having regard to the fact that in 1952, the year of greatest activity, less than 800 wildcats were drilled in the 200 million acres under exploration."

As to the future significance of this data, the Bank comments:

"A well-known authority estimates that 25 billion barrels of crude reserves may be found in Western Canada's million cubic miles of sedimentary rocks during the next 40 years if exploration continues active. This figure may be compared with the 45 billion barrels cumulative production of the United States over the past 95 years, or that country's 29 billion barrels of existing reserves.

Table No. 1
Canadian Crude Oil
(Barrels per day)

Year	Production	Production Potential	Consumption
1946	20,841	------	221,935
1947	21,176	27,000	262,963
1948	33,792	101,000	287,279
1949	58,806	134,000	313,791
1950	79,709	223,000	357,921
1951	132,600	245,000	403,750
1952	169,000	303,000	455,200

"The Canadian prairies are the natural market for the indigenous oil products. Six years ago, they depended largely on imported crude and petroleum products. By 1951, self-sufficiency was achieved and refining capacity had tripled.

"The next market toward which producers looked was Ontario, particularly the refinery centre of Sarnia. Prohibitive railway transportation costs were a barrier which could only be overcome by the building of a pipeline, and late in 1950 the Interprovincial was completed from Edmonton to Superior, Wisconsin. The following year the pipeline served intermediate refineries, initiated the export of crude to the United States, and, supported by a growing tanker fleet on the Great Lakes, penetrated the Ontario market. 1952 saw the flow to Superior nearly doubled to an estimated 60,000 barrels daily. A further expansion program now under way will soon raise the input capacity at Edmonton to 155,000 barrels daily and permit a peak flow of approximately 100,000 barrels daily at the Superior terminus.

"A major extension of this eastern pipe line from Superior to Sarnia is projected for completion this year at a cost of $70 million. The requirements of 30-inch pipe have already been allocated, and the line when completed will ultimately permit the initial daily capacity of 85,000 barrels to be increased to more than 300,000 barrels. Having regard to the projected peak figure of 100,000 barrels at Superior to result from the expansion program referred to in the previous paragraph, it would seem that the 300,000 barrel figure at Sarnia, envisaged as following the completion of the Superior-Sarnia extension, would entail a large-scale duplication of the original Interprovincial line. The possible long-range development of the Williston Basin, particularly that part lying in Saskatchewan and Manitoba, is also a factor. The Superior to Sarnia extension will eliminate the four-to-five month interruption of deliveries to Sarnia owing to the closing of navigation on the Great Lakes during the winter months. Oil transportation facilities were further extended by the laying of the first products pipeline in Canada, carrying refined oils from Sarnia to Hamilton and Toronto.

"Of major importance to marketing plans is construction of the Trans Mountain Oil Pipe Line from Edmonton to Vancouver, B. C., now well under way with completion scheduled for August, 1953. Initially, the line will be able to transport daily up to 120,000 barrels and this may be stepped up to 150,000 barrels. It is, however, designed for an ultimate flow of over 200,000 barrels per day. British Columbia, whose oil requirements were supplied entirely by imports until recent months, consumes more than 50,000 barrels daily, and refinery expansion now in progress or planned will increase the total daily capacity of that Province to 48,350 barrels. In the initial phase of the pipeline operation, somewhere in the range of 75,000-120,000 barrels daily, it is anticipated that crude delivered to the West Coast will not only serve local refineries, but supply offshore markets and meet the current shortage of crude oil in California. (It is expected that the recent lifting of controls in the United States will be reflected in an increase in the price of Californian-produced crude, thus ensuring the ready acceptance of Canadian oil without disturbing present field prices.)

"The extensive marketing area of the Pacific Northwest States is almost wholly deficient in refining facilities. As a first step toward the utilization of Canadian crude three refiners have announced their intention to erect modern plants in that region with a total daily capacity of 95,000 barrels. The first of these will be completed early in 1954 and an extension of the Trans Mountain line will be built across the International Border to connect with these projects.

"It does not appear economically feasible to deliver Western Canadian crude at the Atlantic seaboard in competition with foreign crude. Canada's ultimate objective of becoming self-sufficient must therefore be achieved by exporting a volume sufficient to offset imports. Its market in the United States seems likely eventually to center mainly in the Pacific Northwest and the area around the head of the Great Lakes. The trade agreement recently concluded between the United States and Venezuela reducing the duty on lighter gravity crude from 21c to 10½c regardless of the quantity imported will prove of great benefit to Western Canadian producers under the existing tariff arrangements."

Chester Terrell With Bache in Cincinnati

Chester T. Terrell

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio.—Chester T. Terrell has become associated with Bache & Co., Dixie Terminal Building. Mr. Terrell was formerly with Clair S. Hall & Company specializing in corporate and municipal trading. Prior thereto he was Manager of the unlisted securities department for Westheimer and Company.

Charles DeLoca Joins Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Charles H. DeLoca has become associated with Merrill Lynch, Pierce, Fenner & Beane, 1311 East Las Olas Boulevard. Mr. DeLoca was formerly with A. M. Kidder & Co. In the past he was in the investment business in New York City.

Brinton Co. Admits

Brinton & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Joseph de Forest Junkin, member of the Exchange, to partnership April 1. Mr. Junkin has been active as an individual floor broker.

American Stock Exchange Governing Board Approves Corporate Membership

Edward T. McCormick announces unanimous adoption of constitutional amendment in line with that of NYSE. Members soon to vote on proposition.

Edward T. McCormick, American Stock Exchange President, announced March 19, unanimous adoption, by the market's governing board, of a general constitutional amendment that would, for the first in the exchange's history, extend permissive incorporation privilges to its regular member firms.

E. T. McCormick

Ballots are being forwarded to the regular members and, if adopted by the members, the amendment will be effective May 1, 1953.

A feature of the board's action is the possibility of broadening the base of associate membership by permitting a director of a broker-dealer corporatioin to be an associate member. The present constitution extends this privilege only to executive officers.

If the amendment is approved regular corporate membership will be available to any corporation engaged in business as a broker or dealer which has at least one director who is a regular member of the exchange. The regular member director must be a beneficial owner and record holder of voting stock in the corporation.

The amendment further provides that while a corporation may have more than one share of stock outstanding, all the voting stock must be held beneficially and of record by the officers, directors or employees of the corporation who are actively engaged in its business and devote a major portion of their time to it. An exception is the requirement that the voting stock may be held by the estate of a deceased stockholder for such period as the Exchange's Committee on Admissions may permit. It was further stated that every shareholder in a regular member corporation must be approved by the Committee on Admissions.

Under the new amendment no person can be a shareholder in more than one regular or associate member corporation.

Cites Diversification Advantages in Life Insurance Companies' Investments

Institute of Life Insurance publishes data revealing the cushioning effects on income yield and safety of principal by spreading of investments.

According to the Institute of Life Insurance, the value of investment diversification to yield as well as safety of principal is clearly shown in an analysis recently made of the bond investments of life insurance companies having 80% of the bond holdings of the business.

Since 1929, the rate of interest earned on total bond holdings, on the basis of actual cost, declined from 4.72% in 1929 to a low point of 2.74% in 1946 and 1947 and rose again to 2.92% in 1950, the last year included in the study.

A major portion of the annual interest rate change was due to shifts in proportionate investment in different types of bonds, but a considerable portion was due to the cushioning effect of diversification of holdings.

Cushioned Annual Changes

While the decline in return was persistent over most of the 22 years, the annual changes were relatively small in the majority of cases. This is credited in large part of the fact that when one type of bond showed a lower return, other types often recorded either an improved return or at least a smaller rate of decline. In some years, of course, especially during the sharpest decline in interest rates in the Thirties, the declines were experienced in all categories of bond holdings.

In recent years, the interest rate earned on the total bond holdings has risen, in the face of declines in individual types. For instance, in one year, when the yield on both utility and government bonds declined, the over-all rate went up. In another, when both rails and municipals showed a decline, the over-all rate rose. When utilities showed a fairly sharp drop in yield one year, the overall rate was held unchanged, because of increased yields in industrials rails and municipals.

Offset Declines

During the sharp decline of the Thirties, it was found that in one year, when the yield on governments went down 52 points, the drop in over-all bond yield was held to 26 points. In another year, when the yield on industrials fell 58 points, the over-all rate declined only 12 points. One year, when the yield on utilities was down 49 points, the over-all rate declined only 19 points.

Each type of corporate bond has had its turn at providing the highest or near highest rate of annual interest earnings and each has had its turn at the lowest or near lowest rate.

The highest yield noted in the period was that on utilities in 1930, when they brought an interest return of 5.04%. That was in a year when governments, municipals and rails all showed a drop in yield. Lowest yield, other than that on governments, was the 2.77% on industrials in 1946, but in that year the large holdings of governments resulted in an increased over-all yield.

This offsetting and cushioning effect of the varying experience between types of bonds has been an important benefit for the over-all investment experience on life insurance funds.

Morgan Davis Admits

Morgan Davis & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, will admit Roland Schuppel to partnership on April 2.

Eastman, Dillon Admits

Eastman, Dillon & Co., 15 Board Street, New York City, members of the New York Stock Exchange, will admit John Ellis to partnership on April 2. Mr. Ellis has been with the firm for a number of years.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Election of William T. Moore as a Trustee of **The Bank for Savings in the City of New York** was announced on March 17 by DeCoursey Fales, President. Mr. Moore is President of Moore-McCormack Lines, Inc.

* * *

Jacques de Callies, a Teller at **Union Dime Savings Bank, New York,** sailed for Sweden on March 24 to spend six months working in a Stockholm savings bank, according to an announcement made by J. Wilbur Lewis, President of Union Dime. The Union Dime, it is stated, is the first New York savings bank to send a representative to a foreign country on an exchange basis. No date has been set as yet for a member of the staff of the **Stockholms Sparbank** to come to Union Dime. For some years universities have contributed to better international understanding and good will through the exchange of students. Business organizations have appreciated the advantages of an exchange of working personnel. With savings banks in 32 countries, Union Dime hopes that its representative will be the first of many such exchanges. The plan was proposed by Olaf Norbeck, President of the Stockholms Sparbank. Mr. Norbeck visited banks in this country several years ago and has since been an advocate of the plan worked out with Union Dime. Mr. de Callies, has been with Union Dime for 22 years. He was in service from 1943-45 with the Ninth Air Force, Finance Detachment, stationed first in England and later in France, Belgium and Germany.

* * *

John W. Hooper, President of the **Lincoln Savings Bank,** of **Brooklyn, N. Y.,** announces the election of Joseph T. Stephens, retired Brooklyn commercial banker, to membership on the bank's Board of Trustees. The election took place at the regular meeting of the board, held on March 11. Mr. Stephens, at his retirement, was an Executive of **the National City Bank,** with which institution he became connected as a consequence of various mergers through the years. Mr. Stephens entered banking as a Junior Clerk on the staff of the Nassau National Bank, advancing through all commercial banking departments until elected Cashier in 1925. Upon merger with the Bank of America in 1929, he was elected Assistant Vice-President of that institution. When the National City Bank of New York purchased the stock of the Bank of America in 1931, Mr. Stephens continued as Executive Officer of the Court and Montague Street Office, the original office of Nassau National Bank, until that office was merged with the Peoples Trust Office of National City, after which he was appointed Manager of the Kings Highway branch.

Joseph T. Kane, Assistant Mortgage Officer of the Lincoln Savings Bank, completed 25 years of service with the bank on March 19. The occasion was recognized at a luncheon tendered to him by the bank. President Hooper presented Mr. Kane with a gold watch, appropriately inscribed. Charles J. Kipp, President and Mr. Erwin Bortscheller, Vice-President, of Lincoln's 25-Year Club, welcomed the new member into the quarter-century club, which now has 47 members, 14 of whom are retired. Mr. Kane was appointed Assistant Mortgage Officer of The Lincoln on March 12, 1947.

The Lincoln Savings Bank's Women's Finance Forums, is reported to have been so well received by the women of the communities served by the bank that a second series was initiated on the evening of March 25 at the Brighton Beach office. Arthur C. Fox, Vice-President of The Lincoln, and manager of Brighton Beach office, acted as moderator. The first meeting was held at Brighton Beach on Nov. 13, 1952 and the second at Bay Ridge on Jan. 29, 1953.

* * *

The First National Bank & Trust Co. of Massena, N. Y., has been merged with the **Northern New York Trust Co. of Watertown, N. Y.,** effective Feb. 24 under the charter and title of the latter. Previously (Feb. 19) the New York State Banking Department approved a certificate of increase of the capital stock of the Northern New York Trust Co. from $500,000 to $700,000.

* * *

A certificate authorizing an increase in the capital of the **Massena Banking & Trust Co. of Massena, N. Y.,** from $150,000 to $200,000, in 8,000 shares, par $25 each, was approved on Feb. 16 by the New York State Banking Department.

* * *

The Windham County National Bank of Danielson, Conn., with common stock of $250,000, was merged with **The Hartford-Connecticut Trust Co. of Hartford, Conn.,** under the charter and title of the latter, effective as of the opening of business Mar. 9, according to the Mar. 16 Bulletin of the Office of the Comptroller of the Currency. An item bearing on the merger appeared in our March 19 issue, page 1224.

* * *

In furtherance of plans to increase its capital from $100,000 to $187,500 the **Madison Trust Co., of Madison, N. J.,** will increase the number of its shares from 1,000 (par $100 each) to 7,500 shares, par $25 each. Reporting this, a staff correspondent of the Newark "Evening News" of Mar. 12 in advices from Madison also said in part:

"The Board of Directors of Madison Trust Co. has voted to split its stock four for one and then to pay a stock dividend of 25%, giving owners one new share for each four new shares held. The board also recommended to the stockholders that 2,500 additional shares be offered for sale at $50 a share.

"Stockholders will vote on the new arrangement at a meeting called for April 1." Carroll B. Merritt is President of the trust Company.

* * *

The sale of new stock to the amount of $50,000 has resulted in an increase in the capital of the **First National Bank, of Pennington, N. J.** (as of Feb. 25) from $200,000 to $250,000.

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The **Tradesmens National Bank and Trust Co.** and **Land Title Bank and Trust Co. of Philadelphia** announced on March 21 that they had called special meetings of their stockholders for May 25 to vote on the proposed merger of the two institutions, detailed reference to which appeared in our issue of Feb. 19, page 806. The joint announcement said that, if the plan is approved, it is expected that the merger will become effective "during the middle part of June." The merged bank, as previously announced, will be known as **Tradesmens Land Title Bank and Trust Company.** The main office of the consolidated institution will be at Broad and Chestnut Streets with other offices at 1528 Walnut Street, 320 Chestnut Street, 5th and Chestnut Streets, 5614 Germantown Avenue, Broad and Louden Streets, and 19 S. 52nd Street. In addition, the new Erie Avenue and "I" Street office is expected to be opened in the fall. The announcement said that the managements of the two banks will recommend to the board of the combined institution an initial quarterly dividend of 50 cents a share, to be paid approximately three months after the merger becomes effective. As previously announced, Howard A. Loeb, Chairman of the Board of Tradesmens, will be Chairman of the Board of the merged bank; Percy C. Madeira, Jr., President of Land Title, Chairman of the Executive Committee; James M. Large, President of Tradesmens, President; and Warren H. Woodring, Vice-President and Treasurer of Land Title, Executive Vice-President.

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The National Bank of Narberth, at Narberth, Pa., has increased its capital from $125,000 to $175,000. A stock dividend of $25,000 and the sale of $25,000 of new stock brought about the enlarged capital.

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The First National Bank of Irwin, Pa. with common capital stock of $150,000, was placed in voluntary liquidation on Feb. 21, having been absorbed by the **Peoples Union Bank of McKeesport, Pa.**

* * *

As of Feb. 24 the **York National Bank & Trust Co. of York, Pa.** increased its capital from $750,000 to $1,000,000 by the sale of new stock to the amount of $250,000.

* * *

A stock dividend of $100,000 has resulted in increasing the capital of the **First National Bank of Janesville, Wis.** from $200,000 to $300,000. The new capital became effective Feb. 18.

* * *

Under the charter and title of the **American National Bank of Baxter Springs, Kansas,** the **Baxter National Bank of Baxter Springs** was consolidated on Feb. 28 with the American National Bank. Both the American National and the Baxter National had common stock of $50,000 each before the consolidation. The enlarged American National has a capital stock of $100,000, in 1,000 shares of common stock, par $100 each, and undivided profits of not less than $70,000.

* * *

Thirty years of service with **California Bank of Los Angeles** was recently completed by Vice-President R. A. Reid, Long Beach Office; Assistant Secretary H. F. Curry, Real Estate Loan Department; Manager J. C. Ferguson, First and Vermont Office; Assistant Manager J. F. Swanstrom, Fifty-Fourth and Fourth Avenue Office; Chief Teller Warren H. Edwards; and Gustave O. Ruiz, of the Chief Teller's Department.

* * *

At the March meeting of the board of directors of the **Bank of America National Trust & Savings Association,** held in **Los Angeles,** a new director was elected in the person of Jack Z. Anderson, orchardist of San Juan Bautista, Calif. Mr. Anderson was his district's representative in Congress for the past 14 years, having been drafted by the citizens in 1938 and running successfully for seven terms. In five of his campaigns he was elected at the primary. He withdrew voluntarily from the political scene last fall in order to devote full time to business.

K. A. Gardner, Manager of **The Canadian Bank of Commerce** at **Vancouver,** has been appointed an Assistant General Manager at the bank's head office, **Toronto.** Mr. Gardner joined the bank in London, went to Canada in 1929 and was attached to the Montreal branch. After serving there, at the head office in Toronto, and as an Assistant Manager of the main Toronto branch, he was appointed Manager at Vancouver two years ago. He is succeeded at Vancouver by R. G. Miller, formerly Manager of the Ottawa branch.

* * *

T. T. K. Allan who has been General Manager of the **National Bank of India Ltd.** since Feb. 1, 1946, has announced his intention to retire on March 31 after more than 50 years' service with the bank, and Norman W. Chisholm, Deputy General Manager, has been appointed to succeeed him. Mr. Allan has been appointed a director of the bank. William Kerr has been appointed Deputy General Manager and is succeeded as London Manager by G. T. Gillespie. H. D. Cayley becomes Inspector of Branches.

Clifton D. Bunting

Clifton D. Bunting, an investment banker, died suddenly yesterday Wednesday, March 18 in Philadelphia. He was 46.

Mr. Bunting was a Vice-President in the Philadelphia office of The First Boston Corporation. He was a former President of the Philadelphia Association of Security Salesmen and a Director of S. Morgan Smith Co., of York, Pa.

Abbe to Manage Brch. Of Baxter, Williams

Richard F. Abbe has become associated with Baxter, Williams & Co., members of the Midwest Stock Exchange, in charge of their newly opened branch at 111 Broadway, New York City. Mr. Abbe was formerly with Shields & Company and Wertheim & Co., and prior thereto conducted his own investment business in New York.

Richard F. Abbe

Leonard Blauner Opens

Leonard Blauner is engaging in a securities business from offices at 444 Park Avenue, New York City.

Morris Geller Opens

Morris Geller is engaging in a securities business from offices at 175 Fifth Avenue, New York City.

H. A. Goldman Opens

YONKERS, N. Y.—Horton A. Goldman is engaging in a securities business from offices at 60 Maple Street.

Hugh Stouppe Opens

VERMILLION, Kansas—Hugh Stouppe is engaging in a securities business from offices here.

THE MARKET ... AND YOU

By WALLACE STREETE

"Peace it's wonderful"—at least for one day as far as the bears were concerned. Monday, short-term stock market sentiment was influenced by "soft" talk from Russia over the week-end as Malenkov tried to build character with the World. That hope (or fear, market-wise) was quickly washed out by the most vicious Red attack in Korea in many months and by ex-President Truman's sad reminder, "the Russians have never kept their word." By the close Tuesday, the stock market had regained its composure and most of Monday's losses. Realization deepened that the Western World is not likely to be beguiled by words, and that peace talk is not to be believed unless followed by positive action, such as, the cessation of hostilities in Korea and Indo-China, and/or the lifting of the Iron Curtain.

Tax News Ignored

A development that could easily have been more disturbing to stock prices than the peace feelers, was the damper on hopes for tax reduction this year. President Eisenhower said he wanted a substitute for the Excess Profits Tax, Chairman Reed bowed in his efforts to force his tax-cutting bill to the floor of the House, and Senator Taft said he didn't see how taxes could be cut until 1954. If the market had built its hopes on immediate tax cuts, it certainly did not show it. The manner in which these announcements were ignored, was further testimony to the underlying faith in the ultimate achievements of the new Administration and the soundness of its approach to business and the general economy. Until this confidence is dissipated through a succession of failures and disappointments, investors will not be dislodged from their holdings on a broad scale, and traders will be looking for opportunities to buy stocks. This state of mind often is evidenced toward specific issues. Time and again heads of corporations which are enjoying a strong upward earnings trend have come out with statements on this order: "We will not increase our dividends at this time, because we wish to wait until we have improved our financial position, our plant, etc., etc." Subsequently the appraisal of the shares of the company, simply postpones the reward. As long as the favorable earnings trend continues and general conditions are right, the faithful will continue to hold.

Some observers have suspected that the Eisenhower Administration may be deferring handing out its gifts until 1954, which is a more important year politically because of the Congressional elections. This would seem to be good psychology and smart planning, for the memory of man is comparatively short and his wants are many.

Another item with a direct bearing on an important segment of the market was the 4c an hour rail wage increase. However, the rail stocks, in the strong flush of favorable first quarter results, rode resolutely over this factor.

Consumer Survey Favorable

On the favorable side, there were a few surprises—unexpected in the cautious pre-1953 pronouncements. The Federal Reserve Board's annual survey of consumers' intentions showed they were planning to buy more goods and that most of them felt they were better off than a year ago. (Let us hope they were not counting their tax savings in advance.) Secretary of Commerce Weeks announced general business ahead of 1952 and capital expenditures, which had been expected to decline, were running ahead of last year. The population of the country was reported as having gained 2,300,000 in one year—a lot of potential customers.

A cloud no bigger than a man's hand has appeared on the oil horizon in the form of steadily mounting imports, which could be a threat to crude oil prices. This explains the general reluctance of the high grade oils to lead the advance as they did a year ago. However, producers with new discoveries and special situations have held the stage, and traders in this group have had a field day recently.

Market's Technical Action

Technically, the action of the stock market averages during the past week, was propitious. After a rise of almost six points the previous week, the pattern of gentle correction, which has characterized our markets for many years, set in, declining a few pennies for each of three days until a drop of 2.08 points on Monday in the Industrials, broke the calm. But only for a day. The Dow Jones Industrials closed at 288.83 Tuesday, down only 1.81 and the Rails at 111.77, off .26 from their closings of March 17.

Sceptics may argue that the highs of the previous week should have been exceeded. They overlook two interesting technical aspects—the leaders comprising the Dow Jones averages have carried the brunt of the advance for seven years — now strength is spreading to stocks not in the averages, as the goodly number of new highs each day, and comparatively few lows, will testify. Also, on Tuesday, volume in the last hour and a half when prices were forging ahead, was 740,000 shares or at the rate of 2,225,000 for the full session, a better showing than at any time since the last sizable advance on March 17.

Summer Rise Anticipated

The tide still appears to be coming in—not in a flood, but insistently. It may be rash to state that new high water marks are imminent. There is too much ebb and flow of forces at this time of year. The equinoctial periods are always a period of uncertainty in the minds of men as well in Nature. The winds blow hot and cold. It usually is not until late June that the weather pattern is fairly well set for a period of uninterrupted heat. Coincidentally or not, the stock market has been following the pattern of a strong summer rise for many years. There is logic for this beyond the vagaries of the weather. By late June, the intent of Congress on important legislation is usually well established, businessmen can appraise results for the full year with more certainty, wars are seldom started until the harvests are in—and so on. Because of the better-than-expected performance of the stock market this year, the same pattern seems likely to be followed, only the season of bull fever may be a little earlier, because of the dominance of the confidence factor in the minds of investors and traders.

[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.]

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—B. C. Gilson has joined the staff of Waddell & Reed, Inc., U. S. National Bank Building.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla.—F. R. Tegenkamp has become affiliated with King Merritt & Co., Inc.

Midwest Exch. Member

CHICAGO, Ill.—The Board of Governors of the Midwest Stock Exchange has elected to membership Joshua A. Davis, Blair, Rollins & Co., Inc., New York City.

With Investment Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—H. Carl Aiken has become affiliated with Investment Service Corporation, 444 Sherman Street.

Continued from page 2

The Security I Like Best

value, and may be offered an attractive exchange upon maturity. It has been announced by the present Administration that they intend to fund the debt into longer maturities whenever possible.

(3) **United States Treasury Notes:** These mature within five years, and yield only slightly more than bills and certificates at the present time, and are selling at rather substantial discounts. The advantage of these securities is that they offer specific capital gains for a specific period of time. Under present tax laws you pay only 26% tax on long-term capital gains.

(4) **Bonds:** There are a number of these issues maturing within five years. These offer a combination of the above factors; discount, right values, plus a somewhat better return on the longer maturities.

In summary, I am fully convinced that the Federal Reserve Bank will continue its free market policy for Government bonds, and particularly so while the business barometer continues to rise, and commercial loans keep expanding. Therefore, I naturally prefer to remain in short-term issues, depending on the type of funds to be invested whether it be for secondary reserves of commercial banks, corporations of all types with temporary excess funds, or other investors.

WINFRIED H. OPPENHEIMER

Partner, Oppenheimer, Vanden Broeck & Co., New York City
Members, New York Stock Exchange

Baltimore & Ohio
$4 Non-Cumulative Preferred

America's investment in its railroads is larger than in any other single industry. The unpopularity of railroad securities is being slowly overcome. Excellent earnings statements due to improved management and dieselization draw increased attention to this group. For a long time the securities of the Western railroads were preferred on account of the growth factor of that territory and advantages of long haul traffic, as well as especially favorable tariffs. Recently, however, the rehabilitation of Eastern railroads has made great strides. A thorough study leads to the belief that the securities of some of the leading Eastern rail systems offer remarkable appreciation possibilities.

W. H. Oppenheimer

It is my personal belief that Baltimore & Ohio Railroad Co.'s fundamental position has greatly improved in recent years and that the outlook for its junior securities compares favorably with that of its competitors. The possibility that in the foreseeable future the road may be able to apply its large net earnings after interest payments to its preferred and common stock gives these securities an attraction not shared by Pennsylvania or New York Central Railroad Co.

The more conservative of the Baltimore & Ohio's junior securities is naturally the non-cumulative $4 preferred, currently selling at 47, yielding more than 8½%. There are 588,631 preferred shares outstanding. In my opinion, this stock has great appreciation possibilities plus very high yield and much less risk than the common. Therefore, I consider Baltimore & Ohio non-cumlative $4 preferred the security I like Best.

Under the Bond Adjustment Plan of 1944, Baltimore & Ohio was able to continue its junior capitalization undisturbed and at the same time to reduce its indebtedness. Under this plan, the road must provide for fixed and contingent interest as well as certain fund payments. From the remaining net earnings, 50% has to be paid into a Surplus Income Sinking Fund, the purpose of which is to purchase or redeem outstanding bond issues. If annual fixed and contingent interest payments fall below $22 million, then allocations to this fund need not exceed $750,000. In addition, until annual charges are below $20 million, all dividends paid on the preferred and common shares have to be matched by equal amounts paid into the Surplus Income Sinking Fund. Since adoption of this plan, annual charges have decreased from roughly $27 million to $24.6 million at present. Since 1941, outstanding bonds have been reduced approximately $166 million or 25.6% with a saving in interest charges of $7.6 million per annum.

In 1947, Baltimore & Ohio borrowed $80 million from the RFC in exchange for an equal amount of notes held by the RFC under the 1944 Adjustment Plan. To obtain this loan, practically all non-mortgaged property of Baltimore & Ohio (even at that time far exceeding $80 million in value) had to be pledged. This loan has since been reduced to $65 million. It would not be astonishing to see the road make every effort to reduce it in the foreseeable future to $60 million. Once that point is reached, a repayment of the loan might be undertaken with the help of insurance companies and a substantial bank loan. One might thus figure that such a transaction, plus other reductions of indebtedness from current earnings, might reduce annual fixed and contingent charges to $23 million by next year.

A refunding of the RFC loan as outlined above would possibly free very valuable collateral such as the Baltimore waterfront properties. In spite of the high value of such property, much of it has not been income producing for many years. A possible sale might enable Baltimore & Ohio to receive sufficient funds to retire enough bonds so that annual fixed and contingent charges would fall below $22 million.

The significance of this is best illustrated in the following table:

Earnings After Fixed and Contingent Interest but Before Funds

	Million
1947	$9.2
1948	22.2
1949	6.9
1950	15.0
1951	19.2
1952	27.3

	—Payments to—	
	Capital & General Sinking Funds (Million)	Surplus Income Sinking Fund (Million)
1947	$5.9	$1.9
1948	6.9	8.4
1949	5.5	0.8
1950	6.4	7.4
1951	7.6	8.3
1952	7.3	14.3

Earnings Per Preferred Share (588,631 Outstanding)

	Available After All Funds	—Available Before— Inc. Sinking Fund	All Funds
1947	$3.17	$6.40	$15.73
1948	13.25	27.52	37.64
1949	1.43	2.79	11.67
1950	7.53	20.09	25.55
1951	10.10	24.20	32.54
1952	17.02	41.31	46.39

Net earnings for 1953 are estimated to approximate $30 million, equal, before funds, to more than $50 per preferred share. Here we come, too, to an important reason why I like the preferred shares better than the common. As long as charges are between $20 and $22 million which is the best one might expect in the next few years, an amount equal to any dividend has to be transferred into the Surplus Income Sinking Fund. Thus, the preferred shares can continue to offer an attractive yield, whereas, any substantial increase in the common dividend will have to await further developments.

What are the comparative appreciation chances? Earnings of $10 to $12 per common under present market conditions (Southern Railway earns $19.13, sells at 86) warrant a price of 40-60 or a 30 to 100% appreciation within two years. The preferred, in my opinion, offers during the same time an appreciation possibility of 50% or more in addition to a return of 8½% per annum.

My reasons for this optimistic forecast are:

(1) The above earnings table.

(2) For the first time in many years, Eastern railroads are favored on rate decisions compared to Western and Southern roads. Abandonment of some unprofitable passenger service should be of major importance to Baltimore & Ohio as losses from such sources amounted to about $60 per preferred share in 1951 and a similar loss is expected for 1952. Efforts are now being made to introduce legislation to make such abandonment less complicated. In addition, completion of United States Steel Corporation's Fairless works near Trenton, N. Y., keynotes a whole new industrial development in New Jersey and Pennsylvania. The huge atomic plant being built in Ohio and the import of iron ore through Baltimore for the Pittsburgh steel mills are additional favorable factors.

(3) A comparision with the price and earnings development of Kansas City Southern Railway $4 non-cumulative preferred shares from 1946, the year in which full dividends were reinstated, to date:

	Earnings Per Share	Price Range
1946	$17.52	45 -67
1947	27.68	47¼-58½
1948	41.64	48⅝-60½
1949	34.42	52 -62¾
1950	29.28	57½-70½
1951	24.84	63 -70⅝
1952	28.44	66 -72

Baltimore & Ohio preferred is the security I like best because there are excellent chances that the company's capital structure will show extraordinary improvement in the foreseeable future. The coverage of preferred dividend requirements could easily improve from 4.3 times to 15 times! In such case, a much smaller yield than the present 8½% will prevail, resulting in a sharp advance in its market price. The road's territory has become a growth territory through recent developments. The management has proven its ability. Huge savings could accrue in case of expected cooperation of the ICC in permitting abandonment of some highly unprofitable passenger trains. The recent favorable freight rate decision should make for increased earnings over the excellent 1952 results.

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Home Outlook Good— But Not So Abroad

the latter was indirectly financed in large measure by ourselves thru financial aid to the mother country. Whether the French can sustain their effort with reduced economic assistance, whether in orders or grants from us, I do not know. The strategic importance of Indo-China, economically and geographically, in the checking of the Communist advance in Asia cannot be overstated. Were the Communists to triumph, the way would be paved for a march down across Thailand and subsequently to Burma, Malaya, and Singapore.

In Malaya the British have been trying to put down guerrilla warfare and are still at it. Malaya and Indonesia itself are vital sources of supply of commodities such as rubber, tin, and quinine, which we lack. (In passing let me call attention to the economic havoc created in Indonesia by our tin-purchasing policy, in Australia by our method of purchasing wool. It would seem at times that our economic right hand is in conflict with our political left hand.)

Japan, in its democratic dress, has staged an economic recovery. For military security she is dependent on us, but she is also dependent on the economies of other countries to purchase the products fashioned by her cheap labor, and she has to import raw materials. Japan, Western Germany, England, and Israel are in a bitter struggle for markets. Trade, I have always thought, inevitably and ultimately follows natural geographic lines. Does it not seem likely that Japan will one day again be buying the iron-ore of Manchuria rather than the more expensive ore of British Columbia or Nevada? Such action may prove contrary to political objectives, but I point out its likelihood in the same sense that "Life" magazine last month published an article on the Soviet Sixth Column, that is, the method by which the Soviets were acquiring Western goods, including those in a strategic category. Incidentally as a case in point I mention that Red China recently concluded a trade agreement with Ceylon, a member of the British Commonwealth.

Now let's leave the Far East for a quick glance at the Middle East. Iran has been walking an economic and political tightrope ever since the nationalization of the Anglo-Iranian Oil Co.'s assets. The Middle East is said to contain one-half of the world's known oil reserves. Oil could be a decisive factor in another war. The Soviet, however, deficient in oil reserves, borders on Iran. Mullo Kashani, the Iranian fanatical churchman, is said to be flirting with the Tudeh Party, or Communist party. Mossadegh seems still to be in somewhat uncertain control, and possibly with our intervention and a change in the British attitude the situation may be saved.

In Egypt there is a new government under Naguib. The Suez Canal, presently garrisoned by the British, is a vital question for the Free World. According to recent press despatches British troops may be withdrawn. Nevertheless the Canal must be maintained as an open waterway. Indications yesterday were the British will yield on the Sudanese question which has been in dispute.

Going further along the African Coast we see Morocco and Tunisia in ferment, with France desiring to maintain the status quo, the natives espousing a desire for complete, not nominal, independence, and our government walking a tightrope between the two so as not to upset the applecart. For many reasons we have to handle France. France, to whom we owe so much politically and culturally, is a principal factor in NATO, and the physical core of the European Defense Community. The first economic integration of Western Europe — the so-called Schuman plan — was conceived and developed by France. This plan for the steel and coal industries recognizes the necessity for free competitive markets to eliminate the ancient frictions, and by developing active commercial relationships with Western Germany may ultimately form the kernel of a United States of Western Europe. France herself has made a conspicuous recovery these past years, not due to American funds alone, which were largely diverted for her overseas military needs. However, one must recognize certain unfavorable aspects of the French position. Their economy still owes part of its stimulation to our purchases. The effect on the franc-dollar rate was drastic last summer when the first rumors of lessened purchases by the United States broke out. The French budget is to a large degree dependent on United States purchasing. Is it not extraordinary that it was submitted in the first instance to this government before it was revealed to the French people? Another unfavorable aspect in France is the spirit of so-called neutralism, prevalent amongst so many, particularly the young. Certainly one can understand it in the light of French history. It is the desire not to have their soil ravaged again, not to furnish a battleground for a future war. Neutralism plus the fear of the industrial and military revival of West Germany, and a good deal of anti-Americanism, in a way make the factors of a moral dependence uncertain. I say that as an ardent Francophile, and trust the State Department will develop a psychological program to create a greater amity for the United States.

Western Germany

The fear of the might of Western Germany is of course very real as Western Germany's industrial progress has been so enormous. As a trading nation Western Germany is one of the principals seeking foreign markets. The separation of Germany into two divisions was of course a highly arbitrary and artificial arrangement. Western Germany had in the past been able to sell its manufactures to the Eastern Section of the country, from which it received food supplies, as well as to Eastern Europe. The political aspects of the bisection of the country are perhaps the most alarming for there is little in German history that does not warrant the belief that the two sections will ultimately attempt fusion, like two molecules of mercury attracted to each other. Moreover, Russia has made a complete satellite of Eastern Germany and has in addition strongly supported the Nationalist aspirations of all Germans. Strangely enough the revival of Nazism in both segments of Germany fits the Russian pattern. Nazis and Communists can make common cause of the effort to destroy the Bonn government, which is being looked on as a major cornerstone in the defense structure of Western Europe. In my opinion the one thing the Soviets are determined not to tolerate is revived military strength in Western Germany and a West German army incorporated in the West European Defense Command. Further, I believe it entirely possible that at an opportune time Russia might create another Korea, employing the East Germans as her tool. The entire situation is rife with danger for the Free World.

England, with interests on the continent, in the Empire, and desiring close cooperation with the United States, is in a tight spot. Economically, evolution has caught up with her. She has competition in world markets and is obliged to import food and basic materials. Despite a recent improvement in her exchange position, England is in a sorry plight financially. Proud, as always, she clamors for trade, not aid. Moreover, her morale is high, and as always her loyalty is to be depended upon. If we wish to have England as a responsible partner in the union of Free Nations, we shall have to import from her—which will mean the lowering of tariff barriers at home, despite the toes that may be stepped on. Personally, I believe England's economic well-being an essential part of the military security of the United States. I can imagine no greater folly for ourselves than not coming to the aid of England. Unfortunately, there is in England, too, a bit of anti-Americanism, understandable perhaps in this proud country which has suffered so much and is on such short rations, while her cousins are well off. Nevertheless, I think the feeling minor, and that the partnership of our countries is a prime necessity for our survival. From a selfish point of view for us all may I add that were we not to assist our English friends, the liquidation of her assets on world markets might prove catastrophic even for us.

Well, spinning our armchair back into its place, and knowing that for reasons of time we haven't been to Italy, Belgium, Holland, Switzerland, Sweden and many other countries, can we take stock for a moment. At home the economic outlook is good for a time ahead; abroad the situation is fraught with political and economic uncertainties whose outcome no one can foretell save that the Free World is committed to stand united in its struggle for survival.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

There is no change in the market action of Government securities, because the process of slowing down the trend of the boom-creating loans still goes on. This seems to indicate that Treasury issues will continue in the recent pattern, with the short-term obligations continuing to be the market leaders as they are getting nearly all of the attention of the buyers of Government securities. There is a great demand for liquidity as there always is when uncertainty is as rampant as it is now. Accordingly, the funds that are not going into loans and mortgages are being put to work in the near-term issues and there are no indications yet of a change in this policy.

The long-term Government bonds, despite new all-time lows and the substantial decline which has taken place in prices of these issues, are not being considered yet even for averaging purposes because lower quotations are still expected.

Yield Decline Not Over

The market for Treasury issues continues to follow much the same pattern that has been in vogue since the monetary authorities undertook the rearrangement of the interest rate structure and the debt management program. The effects of the changes which have been made by the powers that be, so far, have gone pretty well through the entire money market with corporate obligations now feeling the influence of the tight money policy. The adjustments that have been made by the funded issues of the Treasury and certain non-Government securities have been fairly sizable as far as yields are concerned. However, it does not seem as though this trend has reached its culmination since it appears as though there will still have to be further yield adjustments because there are forces in the economy that still have to be influenced by monetary measures.

Loan Pressure to Continue

The monetary authorities, according to some of the keener followers of the money markets, are going to continue the tight money program in order to influence the loaning policies of financial institutions. In other words, there will be no let-up in the pressure that the Federal Reserve System has been keeping on the commercial banks because the monetary authorities are very desirous of either slowing down or calling a halt to the very sharp uptrend of consumers' loans and mortgages. The fear that the overstimulation of the economy which comes through the creation of debt, and which keeps the boom going, will have to eventually result in a bust, is the reason for the concern and the type of monetary policy that is being followed by the powers that be.

In order to carry out this objective of bringing the debt-created boom to a slow down before there is great damage to the economy as a whole, the level of interest rates has been allowed to rise. This, along with the tight money policy, the program of extending the maturity of the short-term debt and the talk of a long-term new issue, are the tools that the powers that be are using to bring about what they hope to accomplish. Quantitative controls are being used by the authorities instead of qualitative ones such as regulation W and X. To be sure, the quantitative method may seem to give greater flexibility for action in certain instances and this is probably one of the reasons why the monetary authorities have seen fit to use it.

Long Governments the No. 1 Casualty

On the other hand, there are some casualties and the long-term Government bond market appears to be the number one problem as far as the current credit limiting program of the authorities is concerned. In order to keep the pressure on the loaning institutions, there cannot be much concern about the level of prices or yields of the most distant maturities of Treasury obligations. This certainly seems to be the case at the present time because the long-term Government market does not appear to have very many friends. One cannot be blamed for not making commitments in these securities because they have not been exactly a source of happiness to those that bought them only a short time ago.

The decline in prices of long Government bonds to all-time lows has been very sharp but there are no indications yet that it will be ended here. To be sure, the major part of the recession is quite likely over, but it does seem to be a bit early yet to do that rather distasteful thing of averaging down in price in order to get out on the way back. Until there is a change in the trend of consumers' loans and mortgages there is not likely to be much of a change in the action of the Government market, especially in the most distant maturities.

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Reconciling a Defense Economy With Private Enterprise

be expected within the next three or four years to drop as low as $40 billion a year, or probably not even as low as $45 billion a year. The jet plane has brought about a revolution in aeronautics that will continue for years and require rapid replacements in our planes. Atomic-powered naval vessels will soon require huge expenditures for submarines, and possibly for other types of vessels. Outlays in the rapidly developing field of guided missiles and rockets will continue at a high level, and the spreading applications of electronics will rapidly introduce obsolescence into defense equipment.

These facts lead me to ask whether the time has not come to discard the view that there will be a plateau in defense spending followed within two or three years by a drop. Ever since April, 1952, there has been no real change in monthly expenditures on defense. In fact, these outlays in January and February, 1953 were below expenditures in April, 1952. In six out of the ten months from May, 1952 to February, 1953 inclusive, expenditures were below April, for two months they were the same as in April, and in two other months they were slightly above April. This record prompts one to ask whether defense spending cannot be held more or less indefinitely down to the current rate, which is around $50 billion a year. It would be a most important achievement for the Eisenhower Administration if it could succeed in holding defense spending to approximately present levels.

(6) Will it be possible to balance the cash budget and meet the costs of the defense program?

The cash budget includes all of the cash transactions of government agencies with non-government parts of the community. It includes trust accounts (such as the Old Age and Survivors' Insurance scheme and the Railroad Pension scheme) and special deposit accounts excluded from the administrative budget. It also excludes those non-cash transactions which are included in the administrative budget. Whether or not the cash budget can be balanced during the next two fiscal years depends in the main (1) upon what happens to taxes, and (2) upon what happens to defense spending, including foreign military and economic aid.

There were put into effect in 1950 and 1951 several temporary taxes and tax increases that are scheduled to expire in the near future—the Excess Profits Tax on June 30, 1953, temporary increases in the personal income tax on Dec. 31, 1953, temporary increases in the corporate income tax on April 1, 1954, and increases in taxes on distilled spirits, malt liquor, cigarettes, gasoline, and automobiles scheduled to expire on April 1, 1954. If these taxes were allowed to expire on their scheduled dates, the revenue loss in the fiscal year 1954 would be about $2.2 billion. In the fiscal year 1954-55, when the full effect of these tax terminations would be felt, the revenue loss would be about $8 billion.

Last January, President Truman submitted a proposed budget for the fiscal year 1953-54 which called for expenditures of $81.8 billion, and which estimated receipts of $75.2 billion—a deficit of $6.6 billion in the cash budget. The estimates of revenue assumed that the temporary taxes would expire as scheduled. Mr. Truman proposed an increase in total defense expenditures, including foreign aid and atomic energy, to $56.1 billion a year—a rise of about $6 billion above the present rate. If it were possible to hold defense expenditures to the annual rate of the last ten months, the cash budget for the fiscal year 1953-54 would be almost in balance. There would, it is true, remain a problem for the fiscal year 1954-55, when the full effect of the terminations of temporary tax increases would be felt. Allowance must be made for the fact that the growth of the country increases the yield of taxes by around $2.5 billion a year. Furthermore, the increase in social security contributions scheduled for Jan. 1, 1954 will add about $1 billion a year to revenue. Hence, revenues for the fiscal year should be about $73 billion, indicating a cash deficit of about $2 billion, unless sufficient cuts are made in non-defense expenditures. A cut of $3 billion in non-defense expenditures would mean a reduction of around 8%. Some non-defense expenditures, such as interest payments, are likely to rise moderately from present levels.

There are, it seems to me, four principal possibilities for cuts in government expenses within the next two years. In the first place, it ought to be possible to eliminate the deficit in the Post Office and to put the non-governmental mail carrying activities of the Post Office on a profitable basis. At present, the Post Office, with gross receipts of around $3 billion a year, has a deficit on the non-government part of its business of around $500 million a year. The British Post Office, which includes telegraph and telephone, makes a small profit. In some years it has made a large profit. Since carrying mail is really a business, the Post Office ought to make a profit. I suggest a margin of five cents on the dollar which is comparable to margins in private business. This margin would yield a profit on the carrying of private mail of about $150 million. It could be achieved partly by increased efficiency and changes in methods, but in the main, it would have to be achieved by proper rates on the carrying of mail, particularly proper rates on the carrying of printed matter. Is there any newspaper or magazine sufficiently interested in sound government financing to advocate proper rates on printed matter and the abolition of the unjustifiable subsidy which the government now confers on large and highly prosperous newspapers and magazines?

In the second place, the government can reduce the deficit by putting no additional money into the Federal National Mortgage Association. Mr. Truman's January budget proposed about $300 million additional for this agency. The agency, which buys, holds, and sells mortgages insured by the Federal Housing Authority and the Veterans Administration, already holds about $2.6 billion of mortgages. No more money should be put into this agency. In fact, if the government is having trouble balancing the cash budget, it would be desirable for some of the assets of the Federal National Mortgage Association to be sold.

In the third place, the government expenditures for the support of the prices of farm products should be drastically cut, except in years of recession. Mr. Truman's budget proposals of two months ago recommended nearly $700 million for this purpose. Actually, expenditures in support of farm prices during the coming fiscal year may run to about $1 billion. It is obviously ridiculous for the government to support the prices of farm products at a time when employment is high and the demand for goods strong. The support of farm products should be limited to periods when business recession reduces the demand for farm products to levels below normal.

In the fourth place, there are various miscellaneous activities of the government, including general administration, which now cost $9 billion a year. In the course of two years, a 10% savings could perhaps be achieved. These several savings, with the exception of the unpredictable saving on the support of farm prices, plus the proposed profit of $150 million from Post Office operations, add up to around $1.8 billion. If no new money need be spend in supporting farm prices in the fiscal year 1954-55, the savings would add up to around $2.5 billion. I have excluded any possible saving in public works because I doubt whether any net saving here is possible. Some of the projects are hard to justify; on the other hand, there are many badly needed public works that are not being constructed. Savings on cutting out "pork" should be used on badly needed public works.

This summary of the budget outlook, brief and inadequate as it must be, indicates that a balance will be achieved in the coming fiscal year if defense expenditures can be held to $50 billion. It indicates, however, that in the fiscal year 1954-55, when the full effect of the tax reductions included in the present laws will be felt, a deficit of about $1.0 billion may occur, even if defense expenditures are held to $50 billion. But, if no money need be spent on the support of agricultural prices, the deficit may be eliminated altogether. By the fiscal year 1955-56, the normal growth in the yield of present taxes would seem sufficient to eliminate the budget deficit that is in prospect for the fiscal year 1954-55.

The answer to the question, "Will it be possible to balance the cash budget and meet the costs of the defense program?" seems to be, "Yes," for a defense program of not more than $50 billion in the fiscal years 1953-54 and years 1955-56. But for the fiscal year 1954-55 the answer is, "It depends." All of these conclusions, let me add, assume that a good job is done in cutting expenditures.

(7) Will the defense program bring about inflation by causing wages to rise faster than output per manhour?

At periods of high employment the bargaining power of trade unions appears to be so great that they are able to raise hourly earnings faster than the engineers are able to raise output per manhour. Consider, for example, the period of mild deflation that began in the fall of 1948. By July, 1949, the consumers' price index had dropped 3.4% below September, 1948, and the index of non-farm and wholesale prices by 5.0%. But unemployment, which had averaged about 3.4% of the civilian labor force in the year 1948, increased to 5.5% in the year 1949. Average hourly earnings of non-agricultural workers continued slowly to increase. In fact, in July, 1949, they were 2.4% above September, 1948. It is estimated that the average output per manhour for the economy as a whole increases 2.5% a year. In the ten-month period from September to July, average hourly earnings increased about as much as productivity may be expected to increase in 12 months. In addition, many workers obtained benefits in the form of pension plans and sick benefit plans that added to labor cost. In periods of expanding employment, the tendency for hourly earnings to outrun productivity is even greater.

It is obvious that in the long run the price level must adjust itself to labor costs. Hence, slowly rising labor costs mean a slowly rising price level. Even in the absence of a large permanent defense program the pursuit of a policy of high employment on the part of the community would keep the bargaining position of unions so strong that labor costs and prices would rise. In other words, stable prices and high employment are incompatible, unless the community is willing to replace free collective bargaining with wage controls. I do not believe that the community would be. I do not think that the community would be willing to accept unnecessary unemployment in order to keep prices from slowly rising. Hence, even in the absence of a large permanent defense program, there would be a slow upward movement of prices in the long run.

What difference would a large permanent defense program make? Would it substantially aggravate the tendency for labor costs to rise? The answer to this question would depend upon the influence of the defense program upon the demand for goods. Only if the program increases the total demand for goods, will it improve the bargaining position of unions and thus enhance their ability to raise labor costs. But, as I shall point out in a moment, the defense program probably will increase the total demand for goods at least to a small extent.

(8) Even if taxes are high enough to balance the budget, will not a large defense program have some tendency to increase the demand for goods and thus to increase slightly the inflationary influences in the economy?

I believe that the answer to this question is probably "Yes." The higher taxes that individuals and enterprises must pay because of the defense program limit their incomes after taxes but do not correspondingly limit their desires to spend money. Hence, the stiff taxes required by the defense program encourage, to a small extent, the financing of the purchase of goods by bank credit. Thus, even though the budget is balanced, a large defense program introduces a mild inflationary influence into the economy.

Cannot this inflationary influence be controlled by fiscal policy, or credit policy? A large defense program will, for some years to come, severely limit the use of fiscal policy to control inflation because the high rate of government spending will make it difficult to keep the budget in balance—not to mention achieving a surplus. But the tendency for high taxes to stimulate the use of bank credit to finance consumption or investment can be controlled pretty completely by credit policy—though the control may not be completely effective. It is important, for example, that the banking authorities be able to apply credit controls selectively—to restrict consumer credit, for example, without at the same time tightening up on the use of producers' credit. If the use of credit in consumption can be restricted only by also restricting the use of credit in production, one may be pretty sure that the banking authorities will act only tardily and that the inflationary uses of credit will not be entirely prevented.

Conclusion

This review of the economic problems created by a large defense program of indefinite duration yields several conclusions of considerable importance. It shows that direct controls of materials or prices are not needed so long as defense expenditures are financed by either taxes or real savings—that is, by methods which reduce non-government spending by as much as the defense program increases government spending. It demonstrates that even the financing of the defense expenditures out of tax revenues or real savings may stimulate, to some extent, the use of bank credit to finance consumption or investment, but that the excessive use of bank credit can be fairly well prevented by credit policy provided the banking authorities are able to apply controls selectively—that is, provided they are able to restrict credit to finance consumption without at the same time necessarily restricting the use of credit in production. The foregoing analysis shows that the policy of maintaining a high level of employment makes the bargaining power of unions so strong that wages are pretty certain to rise faster than output per manhour, thus bringing about a slow rise in labor costs and prices. This analysis demonstrates, however, that a large defense program accelerates the rise in labor costs only to the extent that it makes the demand for goods greater than it otherwise would be.

The most general, and the most important conclusion from the analysis is that the possibility of reconciling a large defense program with a free economy depends upon the ability and willingness of the country to finance the defense program out of taxes or real savings. Since any defense program which can be financed by taxes or real savings can be operated in the long run without material controls or price controls, the size of the defense program that can be reconciled with a free economy depends upon the willingness of the community to pay taxes or to put their savings into government securities.

Charles D. Gentsch Is With Ross, Borton Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Charles D. Gentsch has become associated with Ross, Borton & Simon, Inc., The 1010 Euclid Building. Mr. Gentsch, who has been in the investment business in Cleveland for many years, has recently been associated with Bache & Co. In the past he conducted his own investment firm, Charles D. Gentsch & Co.

With Douglass Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—De Los H. Smith has become affiliated with Douglass & Co., 464 North Bedford Drive. Mr. Smith was previously with First California Company.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—George R. Reis has been added to the staff of Waddell & Reed, Inc., 8943 Wilshire Boulevard.

du Pont Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—James B. Blair has become connected with Francis I. du Pont & Co., 9640 Santa Monica Boulevard. He was formerly with Fabian & Company.

With Gross, Rogers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James V. Priest has become affiliated with Gross, Rogers, Barbour, Smith & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange. Mr. Priest was previously with Harker & Co. and Walston, Hoffman & Goodwin.

Joins First Oakland

(Special to THE FINANCIAL CHRONICLE)

Oakland, Calif.—John C. Pedersen is now associated with First Oakland Corporation, Financial Center Building. He was formerly with Stephenson, Leydecker & Co.

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The New Economic Climate in Washington

for their own salvation. That is why you have been hearing fairly tough talk to our NATO Allies from this Administration, and you will be hearing more of that kind of talk.

The purpose is not to weaken the economic defenses of the Western World, or to pull out of commitments solemnly undertaken in the North Atlantic Alliance. The purpose is to put these relationships on a more lasting basis. The Administration recognizes that European economic strength rests on a shaky basis if it has to depend on annual handouts that may or may not be voted by a reluctant U. S. Congress. The Administration is facing up to the fact that there is no easy, quick cure for the economic ills that beset our European Allies. The cure, if there is one, lies in a long list of measures that must be taken on both sides of the Atlantic.

Administration Will Foster International Trade

You have already had plenty of indications that the Eisenhower Administration will not shrink from doing America's rightful share of what is necessary to stimulate more international trade, or from making good on our commitments for mutual defense. You know already that the Administration favors continuing the Reciprocal Trade Agreements Act, passing the Customs Simplification Bill, moderating the "Buy American" restrictions on Government purchasing.

We do not yet know to what extent the Congress will cooperate in carrying out these objectives of the Eisenhower Administration. The Republican Party in Congress is not as internationally minded as the Republic Party in the Executive Branch of the Government. A majority of the members of Congress are for internationally-minded measures such as lower trade barriers, simplified customs rules, etc., but the Democrats make up an important section of that majority. It is far from certain that all of Eisenhower's party in Congress will go along with him on the steps he would like to take toward a less restrictive U. S. Trade Policy. In view of that hard political fact, it may be necessary for Eisenhower to tone down his natural inclination to strong internationalist policies, in order to retain the solid support of his party in the Congress and avoid embarrassing Republican Congressmen on whom he must depend for help on other issues.

That is why I do not expect to see the Eisenhower Administration endorse any of the more far-reaching schemes for international trade that have recently been proposed. In the last few months we have seen the Detroit Board of Commerce come out for free trade; we have seen Henry Ford II advocate doing away with tariff barriers, we have seen a Mutual Security Advisory Board under Daniel Bell, the banker, propose sweeping reforms of the Tariff Laws, drastically reducing and simplifying the tariff, dropping duties on important commodities.

In addition, there have been proposals for trick ways of overcoming the world's dollar shortage, such as marking up the price of gold and using the profits for a huge currency stabilization fund so that Britain and other leading trading countries could drop their currency restrictions.

Unless there is some remarkable change in the Washington atmosphere, I do not believe the Eisenhower Administration will endorse any of these sweeping proposals. The extreme caution of the Administration in its approach to this problem was evident in the communique issued after the recent talks in Washington with British Foreign Minister Eden and Chancellor of the Exchequer Butler. The communique contained no ringing promises on either side, and particularly not from the Americans. The best experts of Washington have put this communique under study and pored over it with a microscope, a stethoscope and an X-Ray machine to see if hidden in it somewhere might be an American commitment to the British to take some specific step to ease the dollar shortage. So far, no such commitment has been discovered. I have interviewed most of the top people engaged in these talks on the American side and can find no trace of any American promise to do anything. The reason it can't be found it that it does not exist. It was far too early for the United States officials to make any commitments. Now that the British talks are over, a careful review of our foreign trade and foreign economic policy is just getting underway. You all know I am sure about the famous tariff commission case of the briar pipes.

The reason that Eisenhower took no decision on the briar pipe tariff and sent it back to the commission was that he just wasn't ready to tip his hand on tariff policy. It will be another month or so, maybe several months, before the full foreign economic policy of this Administration unfolds. When it is disclosed it will of course have a strong leaning toward internationalism. However, I am equally sure that it will not be as internationalist as foreign traders might like. It certainly will not go all the way toward free trade, and probably won't go even half that far. Someone once described the economic approach of this Administration as one of "imaginative orthodoxy." I think that is a very apt description, so in that spirit I believe you will find their recommendations on foreign trade policy will be imaginative but orthodox.

Recognized: Economic Cooperation Is a Two-Way Street

I don't want to leave this subject without emphasizing the fact that, to use an overworked phrase, the Eisenhower people consider international economic cooperation to be a two-way street. Get out that communique issued at the end of the talks with the British and see how much of it was devoted to things the British should do, or will think about doing. A great deal was devoted to British responsibilities. That accurately reflects the approach of the men now running our foreign economic policy:

Secretary of State Dulles, and Secretary of the Treasury Humphrey, Secretary of Commerce Weeks and Mutual Security Administrator Stassen are very insistent that the recipients of American Aid must take steps inside their own countries to put their economies in order. Of course, every U. S. official concerned with the problem since Paul Hoffman has said that. It has become a constant refrain of all our foreign aid transactions. But I think this new group of Republican Administrators really means it. They are likely to be very tough in insisting that other countries try to balance their budgets, improve their tax structure, and control domestic inflation. And the American negotiators will be in a pretty good position to insist on that being done for they will probably be able to show that the United States is taking its own advice, and squeezing the water out of its own economy.

A good indication of the Eisenhower approach to international economics can be found in Latin America. I know many of you gentlemen are vitally interested in Latin America. Very early in this Administration both President Eisenhower and Secretary Dulles announced that they intended to pay more attention to Latin America. In the last 20 years our policy toward Latin America has undergone remarkable changes. The Republican Policy of the 1920's was replaced by the love affair of the good neighbor policy and climaxed during the last war by intensive courtship. Then promptly after the war Latin America almost dropped off the map, as far as official attention from Washington was concerned. That policy seems to be changing now toward a more balanced approach. Within the first few weeks of the new Administration a very sizable economic problem arose in Brazil—Brazil's need for dollar exchange to pay her commercial debts. The very top level Cabinet officials who handle foreign policy and fiscal policy had to make a quick decision on Brazil's request for a loan. Several weeks later when the British came here, these same officials told the British they were not able to make any decisions or promises as yet on foreign trade and economic policy. But when the Brazilians put in an emergency call for a loan, a decision was promptly made. As you know, the U. S. loaned Brazil $300,000,000. It seems to me this is an extremely important indication of the U. S. policy.

One other facet of this loan should be mentioned. Some of the top officials who approved it were very reluctant to do so. They approved it on more or less of a trial basis. That is, they will be watching Brazil's actions closely in the next few months to see how she conducts herself, whether she relaxes bars to foreign investment, whether she encourages U. S. business. If Brazil uses the loan wisely, and follows friendly economic policies in dealing with U. S. business, there may be other American help forthcoming for Latin American Republics that can prove they need it. However, if Brazil takes actions that disappoint the American lenders, she will find it hard to open the door next time she comes to ask for help, and so will other Latin American Republics. The loan to Brazil is an important straw in the wind showing the internationalist tendency of the Eisenhower Administration. But it is also a sort of test case that may have an important bearing on whether we make other such loans and similar financial arrangements in the future.

If there is any one impression I would like to leave with you it is this: that the approach of this new Administration in Washington is one of moderation—moderation in all things, particularly in economic matters.

As newspaper—and, may I say, magazine — readers, you are already aware that the approach to finding a settlement of the Korean War is certainly one of moderation. The policy is not to pull out of Korea in a blind retreat of appeasement. Nor is it a policy of rushing deeper into Korea, committing more manpower and money, in a desperate gamble for all-out victory. The eventual decision is going to lie somewhere between those extremes, and signs of it are already apparent.

In economic policy, the same counsel of moderation prevails.

A top Eisenhower adviser recently told me that he views the economy of the United States as balancing on a knife-edge. The Administration doesn't want to do anything drastic that will push the economy in one way toward inflation or the other way toward deflation and possible recession. In tackling the difficult problem of the budget deficit, the policy will be to reduce the deficit, but not to cut government spending so sharply as to throw the economy into a tailspin and create an unmanageable unemployment problem. In the field of taxes, there will be cuts—eventually—but not at the expense of sound budget practice. Tax relief thus will be moderate, as will the shift to lower levels of government spending. The same holds true in applying the Republican philosophy of increased economic freedom. The move in that direction is to be moderate. For instance, the anti-trust laws are not going to be junked. Controls on the securities business are not to be dropped. Regulation of railroads, power companies, airlines, steamship companies, and competition in all forms of business will continue. If any changes of emphasis occur they will be very slow in coming. In the foreign field, I am certain that there will be a gradual shift toward more liberal tariff policies, and also toward emphasizing self-help by other countries. But here also moderation will be the keynote. Tariff walls won't come tumbling down at the sound of a trumpet from the White House. Our friends abroad won't be cut off without a dime and left to sink or swim on their own. The changes you will see in the coming months will be very gradual.

This kind of Administration in Washington places more responsibility on businessmen. Less interference from Washington, less regulation by Washington, and less government economic planning by Washington means also that there will be fewer subsidies for business from Washington, fewer government contracts to serve as a cushion for business, and less government help in the way of loans, credits guarantees and other comforts that Washington has provided for U. S. business in the past.

Most men in business would agree with the saying, "That government is best which governs least." If you really believe in that philosophy, then it is up to you to conduct your business so that this theory can be applied in Washington. If you want lower taxes, less government spending and less government regulation, then you must conduct your business so that the government can really achieve these things. In very practical terms that means you must genuinely want to see the government save money, even on a government program that has been helping your own business. If you want the government to get out of private industry—then you can't make any exceptions, not even for government lending programs from which you may benefit. If you really want to see our outlays for foreign aid reduced, they you have to admit the possibility that your export orders may temporarily suffer as the changeover is made to free enterprise trading. If you genuinely want the government to lower trade barriers, so that other countries can earn more dollars in this market, then you must be prepared to see those foreign suppliers take a piece of your domestic market.

The theme of your Convention this year is "Selling in 1953." This means that you recognize the growing force of competition. Your business is geared for the competitive race that lies ahead. You welcome its challenge. It seems to this reporter that your new Administration in Washington will encourage competition, and welcomes the competitive atmosphere as the best climate in which to carry out its new policies. If you believe in the true spirit of competition, and the private enterprise climate on which it thrives, then you can do a great deal to assure the success of this change in Washington.

The great contribution you can make is to go out into the market place and sell, without expecting special incentives, special appropriations or other special support from Washington. You now have a national Administration that believes deeply in the virtues of competition as a way of life for business. If you really want to conduct your export business in that kind of a free enterprise climate, you can help bring it about by going out and doing a superb job at your particular specialty—SELLING IN 1953.

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New Administration And Its Foreign Trade Policy

own defense uses, the materials which were in short supply.

Thus, from the charts you can see that our position approaches balance so long as military aid goes on. Indeed for the last three years the situation has permitted our friends abroad to strengthen their reserve position which is so necessary for an ultimate long-term solution to these problems. However, we all hope, of course, that as the years unfold, the rest of the world by steady but sure development of its own resources and capacities — indeed its own ability to compete generally in international markets — will finally result in freedom from the necessity of unrequited assistance from the United States. As the future unfolds, I think we all hope that the private enterprise system will increasingly come forward with its capital and know-how to provide the so greatly needed development capital throughout the world. In any case, when that happy day arrives, if it does, the vital role of American purchases, abroad, not only of materials but of services and pleasures, such as travel, will inevitably be the largest single source of funds which can be spent at the cashier's window of the exporters.

I have intentionally refrained from commenting on numerous factors which have bearing on the level of imports. They are all well known to you. one of the interesting developments in the last six or eight months has been the rather rapid increase in the public debate and the offering of new and fresh ideas on this subject. There seems almost to have been a new birth of interest and an awakening on the part of those who understand the importance of imports as of central significance on this problem. Public debate of this kind seems to be about the best news that any of us who are interested in international trade could want for that means that sound policy which can command wide-spread support in our best tradition is eventually forged out.

In this exciting world in which we live, it seems to me there is an increasing statesmanship discernible in the business community. Our future and that of our Western world seems clearly in no great danger if this maturity and breadth of vision can continue to grow on a wide front.

Robert Wilson Opens

DENVER, Colo. — Robert W. Wilson has opened offices at 1717 East Colfax Avenue to conduct an investment business. Mr. Wilson was formerly an officer of Hicks, Wilson & Co.

Mutual Funds

By ROBERT R. RICH

Dealer Network Proves Flexibility of Securities Field

The flexibility of the securities business in meeting new conditions after years of drought is well illustrated in the cooperative venture of over 130 securities dealers across the country to centralize their sales development and sales laboratory work under the aegis of Kidder, Peabody's Central Mutual Funds Department.

Today, when a dealer is invited to become a "K. P. Cooperating Dealer," he first receives a binder containing samples of all of K. P.'s Mutual Fund Retail Sales Service material, the "bible" for the organization that is bulging with invaluable material enabling the dealer to organize immediately or reorganize his mutual funds selling program.

Kidder, Peabody has been a consistent advertiser in The New York "Times," The New York "Herald Tribune," "The Commercial & Financial Chronicle" and other business magazines and papers. As inquiries are received from towns and cities where "K. P." has a cooperating dealer, these leads are immediately passed along to the dealer for local follow-up. At the same time, "K. P." writes a letter to the prospect advising him that his inquiry has been referred to the cooperating dealer in his town—because "K. P." feels that his financial affairs are better handled locally. "K. P." cooperating dealers report that these leads are among the best they receive.

Kidder, Peabody has found that securing a lead . . . or prospect . . . is only the beginning of a "campaign" to convert the prospective buyer into a client. Coincidental with the salesman's personal effort, "K. P." has developed an integrated direct mail follow-up program to keep the prospect's interest alive and to support the salesman's efforts. By trial and error, direct mail letters have been developed which may be used verbatim by dealers, or adapted for special programs . . . together with full instructions on how these letters may be used.

Also, direct mail campaigns for securing interest in Mutual Funds are passed on to cooperating dealers with advice as to how and when to get best results

Each month "K. P." writes and distributes The Fund Retailer which contains information on developments within the Fund industry . . . plus many current and useful sales ideas. One issue of The Fund Retailer, for example, contains a detailed case history of a sale made by one of the senior salesmen in "K. P.'s" New York Mutual Funds Department.

A completely unique feature, and one which is particularly useful to dealers distant from metropolitan areas, is "K. P.'s" weekly Data Sheet. This is a weekly resume of objectives and pertinent statistical facts on more than 40 leading Funds, with up-to-date offering price and yields compiled in accordance with the Statement of Policy.

Other useful sales aids include a schedule of dividend payment dates, summary of periodic investment plans, and a summary of automatic reinvestment of dividend plans for leading Funds.

Perhaps "K. P.'s" most ambitious undertaking is its recent Summary of Information, which is a handy pocket-size compilation of facts and figures on more than 70 Funds. It took the firm's research department a year to develop this helpful sales piece for the benefit of its own organization and dealer salesmen.

Developed along the service approach to the sale of Mutual Fund shares, "K. P.'s" sales methods are a combination of the techniques of selling life insurance and the counselling methods of an investment counsellor. Generic literature has been developed by Kidder, Peabody to give the service —or investment counsellor—impression. This basic literature consists of a simple "Guide To Mutual Fund Investing," supported by a folder entitled "What Experts Say" and the foundation of any successful solicitation, an "Income Planning Guide." This literature has been standardized as to size, format and color scheme; and is also available for the dealer's own imprint.

There has long been a need for concise information on each Mutual Fund. Prospects have been compelled to wade through voluminous literature to gain an understanding of a Fund's objectives, management, performance and features. To satisfy this need, "K. P." conceived and produced the one-page "Highlights" . . . standard in size, form and color scheme . . . to insure readership and understanding of Funds. With the assistance of the Fund's wholesale organizations, "K. P." has developed Highlights on more than 30 leading Funds. These Highlights are being used successfully by the firm's own offices and by cooperating dealers.

Because many dealers find it difficult and time-consuming to work out the details of an integrated Mutual Fund operation, "K. P." provides a storeroom full of assistance in the way of order forms, post cards, questionnaires, referral blanks and so forth. As pertinent articles appear in the newspapers and journals, the firm prepares reprints and make them available to the network of cooperating dealers.

An original feature of "K. P.'s" Retail Sales Service is its program presentation Kit. After the Income Planning Guide is received, the dealer prepares a recommended Mutual Funds program utilizing a binder and forms designed to present his recommendations in easily understood language with a distinct professional flavor.

In additon to its pioneering efforts in the areas of newspaper and magazine advertising, "K. P." recently conducted a radio series —"Your Money at Work"—which has been adopted by quite a number of dealers and branch offices for local broadcasting. Fox-Martin has interviewed some 30 heads of Mutual Funds and has discussed, at length, various phases of investing to further the cause of the industry and enlarge the public's understanding of Mutual Funds.

Although Kidder, Peabody & Co., has invested a great deal of money and time in this effort, its charge to dealers for radio transcriptions is negligible. In radio, as in every other phase of Mutual Fund promotion, "K.P." strives for the serious approach to the serious investor . . . believing this to be the sound approach to the real market for Mutual Funds.

Another important feature of the Service is a monthly newsletter, the Key to Prudent Investing, for regular mailing to customers and prospects. Many Funds produce excellent newsletters for use by dealers, but the Key to Prudent Investing (with or without the dealer's imprint) fills the desire on the part of many dealers to have a newsletter of their own to build and fortify a personal relationship with their customers.

Even in the area of county fairs, Kidder, Peabody has designed, built and "gone on the road" with an exhibit that is available on a rental basis to any interested dealer.

Best evidence of Kidder, Peabody's open-mindness in accepting and developing new sales ideas was their willingness to cooperate with Wendell Hughes, an advertising and sales expert, when he approached them with the idea of testing a brand-new direct-mail piece, carefully developed to adhere to the high standards of conservatism necessary to the sale of mutual fund shares by Kidder, Peabody, and yet designed to produce a number of quality leads. Kidder, Peabody quickly said they would be more than willing, on behalf of their dealer network, to be the testing ground for the idea. The result? For an expenditure of less than five hundred dollars, Kidder, Peabody received a half-million dollars in portfolios.

KIDDER, PEABODY BROKE INTO NEW SALES GROUND when it began its radio series, "Your Money at Work," enabling millions of listeners from Maine to Virginia to hear mutual fund executives at first hand as they discussed business and investment potentialities in America's leading industries with Milton Fox-Martin, Manager of Kidder, Peabody's Central Mutual Fund Department. Here, Mr. Fox-Martin (left) is shown with William A. Parker, President of the Parker Corporation, during one of Kidder, Peabody's "Your Money at Work" Sunday radio broadcasts. Kidder, Peabody economized on the time of mutual fund executives and on the time and money of its hundred-odd cooperating dealer group by making records, ready to broadcast, available to the cross-country dealer network.

THE QUESTIONS, "Should I invest in common stocks, and when?" could have been correctly answered "Yes" and "Now" at almost any time during the last 20 years demonstrates the newly released "Manual of Data for Investment Men" being sent to investment dealers by Hugh W. Long and Company.

Tracing performance over the past 20 years of one of the mutual funds sponsored by the Long organization, the manual records not only the growth of a $10,000 investment at various periods in the two decades, but reviews the many causes for investment uncertainty that beset the securities markets throughout the period.

From the pit of depression in the early "thirties" through the shocks of war and readjustment, the fund, Fundamental Investors, as the manual shows, built a good record of performance. Yet throughout these years the pessimist could always have found ample argument for the claim that "just now things are a little too uncertain" for common stock investment.

While making no representations about the future, the Hugh W. Long & Company has come forth with the thesis that the advantages of our free enterprise system have not been limited to the economic, social and political freedoms. It has, as well, rewarded the average man willing to become a "total capitalist" by prudent investing in common stocks. Investment and risk, as the manual points out, go side by side. History will undoubtedly continue to provide ample arguments for the pessimist. The manual should, however, provide food for thought to the average man who asks "Have the risks been worth while?" With a wealth of statistical material, the manual traces economic trends, shows the cost of living and the course of stock prices in the past 20 years, and gives results of investments made in each of those years, relating international and national events to the time of each investment.

MASSACHUSETTS Investors Growth Stock Fund reports for the three months ended Feb. 28, 1953 increases in total net assets to $41,752,272, in shares outstanding to 2,365,467, and in number of stockholders to 16,377, representing new high points in the Fund's growth. As of Feb. 28, net assets were equal to $17.65 per share exclusive of a capital gain distribution of 35 cents per share paid in November.

At the same time last year the Fund had $34,430,941 in total net assets, 1,964,662 shares outstanding, and 13,346 stockholders. Net asset value on Feb. 29, 1952 was $17.53.

Stockholders of record Feb. 27 will receive a dividend from investment income of 14 cents per share payable March 25, the 81st consecutive dividend declared by the Fund. The annual meeting of the stockholders will be at the Fund's offices in Boston on May 12..

Changes in the Fund's investments during the quarter ended Feb. 28, 1953 included:

PURCHASES

Company—	Bought
Carrier Corp.	13,000
Internatl'l Cellucotton Products	3,000
Louisiana Land & Expl.	10,000
McGraw Electric Co.	1,700
Minnesota Mining & Mfg. Co.	2,000
Motorola, Inc.	5,500
Skelly Oil Co.	2,000
Texas Pacific Land Trust	5,200
United-Carr Fastener Corp.	6,000
Gen. Motors Acceptance Corp. notes due 4-9-53	$1,150,000

SALES

Company—	Sold
Western Natural Gas Co. rights	30,000
Gen. Motors Acceptance Corp.—	
Notes due 1-8-53	$1,150,000
Notes due 4-9-53	$650,000

AMERICAN Business Shares Inc. reports that in the first three months of its fiscal year (from Nov. 30, 1952 to Feb. 28, 1953) the common stock of the Bucyrus-Erie Company was added to the portfolio as were the following four bond issues: Province of Nova Scotia 3½/1972; Province of Ontario 3¼/1975; Tennessee Gas Transmission 4⅛/1973; Western Railway of Alabama 4½/1958.

The common stocks of Electric Auto Lite Company and Minnesota Power & Light Company were eliminated from the portfolio, as were the following bonds: Columbia Gas System 3/75A; Pacific Gas & Electric 3/83; Pacific Tel. & Tel. 3⅛/87; Southern Bell Tel. & Tel. 2⅞/87; Standard oil (N. J.) 2¾/74; Union Electric (Mo.), 2⅞/80.

Net assets per share were $4.03 on Feb. 28 compared with $4.02 three months earlier. These assets were 49.6% in cash and bonds and 50.4% in common stocks on Feb. 28, 1953 against 50.1% in cash and bonds and 49.9% in common stocks on Nov. 30, 1952.

Small Business Urges Return to Gold Standard

National Session of Small Business Organizations held in Washington on March 24, under chairmanship of Philip M. McKenna, passes resolution urging return to gold redeemable currency.

On March 24, the Conference of American Small Business Organizations, holding a three-day national session in Washington, D. C. under the Chairmanship of Philip M. McKenna, founder of Kennametal Inc., Latrobe, Pa. and President of the Gold Standard League, passed a resolution in a series relating to government fiscal policy, approving a return to a redeemable gold currency; repeal of present laws prohibiting American citizens from owning gold or gold coins; and the appointment of a Monetary Commission to aid Congress in carrying out necessary steps to effect this new legislation before June 30, 1954.

Philip M. McKenna

The preamble and text of the resolution follows:

"Lacking the automatic protection of gold redeemable currency, it has been demonstrated that governments cannot halt inflationary pressures. No nation has ever done so. High tax rates engender inflation, wasteful spending by individuals and governments and dishonesty generally. The people of this country in electing the present Administration gave them a mandate to work promptly and effectively to reverse the bad fiscal policy of 20 years. Specifically the Republican platform favored the provision of a gold convertible currency.

"Therefore Be It Resolved, by the Conference of American Small Business Organizations in National Session Assembled in Washington, D. C., March 23, 24, and 25, 1953:

"(1) We ask for the provision of gold redeemable currency at $35 an ounce, our standard of value.

"(2) We ask for enactment of the necessary Gold Standard legislation repealing the laws presently prohibiting American citizens from owning gold or gold coins, and the repeal or amendment of the various laws which at present conflict with the Gold Standard.

"(3) We approve of the appointment of a Monetary Commission to aid Congress in carrying out the necessary steps before June 30, 1954."

The resolution was signed by the following: Philip M. McKenna, Chairman; Herbert Beaner, Secretary; Arthur W. Keller; Louis E. Thompson; Harold G. Kazanjian; Zack R. Cecil; A. A. Biddle, and Gen. C. L. Fenton.

With Gibbs & Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Chris E. Litsas is now with Gibbs & Co., 507 Main Street.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Oliver A. Kinnunen and Verne E. Strom have joined the staff of Waddell & Reed, Inc., Metropolitan Bank Building.

Joins Chamberlain Staff

(Special to THE FINANCIAL CHRONICLE)

RED WING, Minn.—Harvey L. Johnson is now connected with L. W. Chamberlain & Co., Inc., 315 East Avenue.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Albert M. Kilgore is now with Merrill Lynch, Pierce, Fenner & Beane, 1003 Walnut Street.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Edward M. Cannon and James E. Stowers, Jr. are now with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Two With Slayton Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Russell J. Leonard and James L. Morgan are now with Slayton & Company, Inc., 408 Olive Street.

Secrecy vs. Security

"Secrecy and security are by no means synonymous, no matter how closely allied they may seem to some of those in military or governmental authority.

"If secrecy operates to deprive public opinion of facts which it needs for balanced judgment, if secrecy leads the citizens of our country to feel smug and complacent, when they should be aroused and alarmed, then secrecy really damages our security."—Major General Julius Ochs Adler.

These generalizations are valid and they badly need to have wide circulation. The general's further remarks are equally worthy of respect. The New York "Times" reports them as follows:

"He declared that the contradictory evidence submitted in the debate on the supply of shells to Korea was 'an alarming example of the way in which secrecy can actually weaken security.'

"General Adler proposed that security classifications be justified in the light of the larger public good, that such restrictions once imposed should be subject to review by competent persons not directly concerned with the Administration and that rules designed to withhold information from the public should be studied for possible revision from time to time."

Continued from first page

Mergers in the Chemical Industry

downs of the business cycle and the changes in the magnitude of the corporate tax bills. If it were not for the currently high asking prices for operating companies, there would undoubtedly be far more such activity at the present time. When prices become more reasonable, we can expect to see more mergers, despite any open and implied opposition by the Federal Trade Commission.

At the current time, about one-third of all industrial mergers occur in the chemical process field. Some of the larger companies approach the matter of business mergers in a manner of a concerted attack, considering such moves an important aspect of commercial development. Executives, department heads and consultants often scent such possibilities and conduct negotiations which result in successful mergers.

Reasons for Mergers

The reasons for acquisition are similar to the ones on introducing a new product, namely, the expectation of healthy expansion at better earnings. Diversification and integration are primary motives on the part of the acquirer, while taxes, the opportunity of operating within a stronger organization, and lack of operating cash, motivate most of the acquired firms.

Diversification: Deere & Co. is going into fertilizers as a brand new venture. The company, thereby, should get a taste of the headaches of starting a new business from scratch. This should provide an interesting comparison to the Deere management on the relative advantages of mergers vs. start-up. W. R. Grace & Co. is trying to diversify both through its participation in the Davison Chemical Co. and the brand new Grace Chemical Company. In the first case, Grace is enlarging its agricultural chemicals interest and entering the catalyst business while with the Grace Chemical Company, they are trying to establish a basic chemical business from the ground up. Diamond Alkali has made an offer to Belle Chemical Company, presumably to avail itself of a process for chlorinating methane. These examples indicate the wide interest in diversification occurring today. The concepts of spreading operations too thin, however, do not seem to worry most companies too much. The example of the Heyden Chemical Company, where one man held a string of only slightly intergrated enterprises, has apparently been forgotten in some cases.

Integration: More along the lines of vertical expansion have been the acquisition of Maas by the Victor Chemical Company, or the purchase of Eston Chemicals by American Potash and Chemical Corp. The acquired firms purchased products from the acquiring corporations. In such cases, the larger firm expanded their operations by moving their own products closer to the ultimate consumer markets by taking over processing facilities and complete sales setups and distribution channels.

Squibb strengthened its managerial and raw material position by selling out to Mathieson, while the latter diversified into a field where it had no real previous experience. With an enterprising management, this merger can some day be classified as a vertical integration, since the parent company can be expected to produce more and more products for the drug division. The acquisition of Squibb can also be considered as an insurance by Mathieson, since it is a field very different from agricultural chemicals into which Mathieson had expanded considerably previous to the acquisition. The merger of Sharpe & Dohme with Merck is another good example of vertical integration. The sale of Kolker Chemical to Diamond Alkali also falls into this category.

Miscellaneous: Within the foreseeable future, we may see a merger of several dyestuff companies who can combine their products and sell a more complete product lines more efficiently. Very often, a company is acquired merely because it has a tax loss carryover. This usually happens more often among smaller companies since it has little effect on a large company's earnings. With smaller companies, taxes are one of the most important consideration. Because of high taxes, many small chemical makers (like their large competitors) cannot expand. They do not have (or want) large debts. It is easier to sell out, pay only a capital gains tax, and be sheltered by the security of a large corporation. This is particularly true of one product (or product line) companies. Very often, a management contract can be negotiated in the process.

In some cases, the value of a company is hard to determine for tax purposes. Special difficulties are thereby created in family corporations and estates. There have been cases in which companies have been sold for no more reason than the cash they have in the bank and their liquid assets, which otherwise could not be withdrawn by the former owners without paying a prohibitive tax.

De-merging

In considering acquisitions and mergers, some mention should be made of moves in the opposite direction. Chemical process companies are usually not adverse to mergers and acquisitions, but somehow are very reluctant to get rid of business which is of no particular help to them. However, in instances where a company cannot devote the time necessary to properly manage a subsidiary operation, or in those cases where even the fullest development of the potential of one product or line will not return as much as if such efforts had been devoted to other business, it is advisable to abandon the enterprise.

The Celanese Corporation and the Heyden Chemical Company are good examples of firms which have divested themselves of subsidiary ventures. Phillips Petroleum sold its eastern LPG distribution setup to Suburban Propane Gas Corp. Eastman-Kodak sold the vacuum equipment department of Distillation Products Industries to the Consolidated Engineering Corporation. The latter hopes to increase sales of such equipment 3.5 times during the next five years. Similar moves are noticeable in other industries.

The thing to remember is that if a secondary operation does not permit a company to concentrate on its important lines, it should seriously consider liquidating such a subdivision.

Traditionally acquisitions have been a sound way of expansion in the chemical process field. Instead of waiting seven years from test tube to tank car (if at all) for a new product, a company can see, check and calculate in advance the effect of a new field. Coupled with tax advantages, the trend is expected to continue, particularly for middle-sized companies who may find it the most expedient way to further growth.

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Toward Stable Prosperity In a Free World

ground that it has not produced the desired results. While it is true that not as much has been accomplished as we had hoped, nevertheless, the results are impressive. In the early postwar period, aid was necessary to prevent a disastrous reduction in living standards in Western Europe and Japan. This result was in fact accomplished and in addition our aid enabled these countries to get production rolling. More recently, our aid has permitted Western Europe to participate in a rearmament program, designed to meet a common threat, without sacrificing standards of living. We are still in mid-stream in this program but it is clear that European rearmament without our help would never have been accomplished.

It is significant that in none of these countries where we have had sizable aid programs have Communist parties taken control of the government, and in several countries the Communist parties have actually shrunk appreciably since our aid began.

Yes, aid has helped; but we have still not succeeded in producing the basis for economic stability and progress. This is due in large measure to the fact that international trade is still fettered.

Factors Preventing Restoration of Normal Trade

A return to what before the war we had come to look upon as normal trade conditions has been prevented by a number of factors. Most of the countries of the world have yielded to inflationary pressures in varying degrees. This has brought with it the familiar symptoms of rising prices, rising costs and unbalanced governmental budgets. Such conditions make it difficult for exporters to sell abroad and increase the incentive of importers to buy from countries which have not experienced as much inflation. Most other nations have had more inflation than the United States with the result that they have large deficits in overseas payments or, to express it in more familiar terms, a dollar shortage.

Dollar shortages breed the myriad controls and restrictions that surround the currencies and trade of the world. It must be recognized, however, that trade restrictions reflect not only monetary imbalance; they can be also a symptom of domestic political expediency. On this score, the United States is unfortunately quite as guilty as the rest despite the fact that we have far less economic excuse for restrictions than other nations.

In the field of production also, forces have been at work against the restoration of normal trade. Domestic production of civilian goods in most of the free world outside the United States and Canada is not keeping pace with population growth. For real economic progress, the volume of production and trade must expand faster than population so that real living standards can rise. Our aid program has succeeded in checking a decline in the standard of living, but it has not succeeded in raising living standards. Thus we are far from having achieved our goal of economic progress and stability with free markets for goods and capital.

Controls and restrictions on trade are among the basic reasons for the lack of economic expansion in the free world. We must reduce them as rapidly as possible to help restore the incentives that make possible rising production and living standards. At the same time, we must recognize the heavy burden on savings and investments of high government taxation and spending.

Is Disequilibrium in Trade Permanent?

At this point, we must ask ourselves whether we have reached a period of permanent disequilibrium in trade. Is the dollar shortage here to stay? Can we never give up foreign aid if we wish to sustain our exports? Some people have pointed to the large and widening chasm between United States productivity and that of the rest of the world as clear proof that a permanent dollar shortage is inevitable. If this were so, the economic plight of the free world would indeed be gloomy. But this theory is based on a fundamental fallacy, a fundamental misunderstanding of the advantages of trade. In point of fact, the age-old, but still valid, principle of the international division of labor is founded on the premise that there are differences in productivity between countries. This basic economic concept states that each nation should concentrate on the production of those things which it can produce most economically. In so doing, by means of trade, each nation will provide the highest possible standards of living for its citizens. What is not always realized is the fact that even though one nation could produce all goods more economically than another, she can still gain from trade. She would concentrate on the production of the things which she can produce most efficiently. Thus, the way is left for the other nations to sell their products to the more efficient nation, and trade works to the advantage of both.

We can say, therefore, that the traditional maxim that all nations gain from trade still holds in the modern world. The obstacles to a free flow of trade between Britain and the United States, to take a concrete example, do not result from differences in productivity measured in physical units of output. Rather the difficulties arise because of purely monetary considerations, such as inflation, or because of barriers such as quotas and tariffs. Although prices in the United States are now 90% above prewar prices, there have been even greater price increases in the non-dollar areas. In the United Kingdom, for example, prices are 120% above the prewar level. They are still higher in other countries such as France. The fact that the United States has had relatively less inflation than Western Europe has hampered Europe's ability to sell not only to the United States but also to other parts of the world in competition with the United States. Inflation abroad is a root cause of the dollar shortage.

Economic Improvement in Western Europe

At this particular moment, production in most Western European nations is well above prewar, and production per person, that is the standard of living, is at least equal to prewar. Thus, any adjustments now involved in restoring normal trade would not, as in the early postwar period, bear down too severely on living standards. What is more, for the time being at least, most Western European nations have brought domestic inflation under control. For the first time there seems to be a flattening of price levels. As a result, world trade is now in much better shape than in any earlier postwar period. Evidence of this is proven by the export of gold from Fort Knox which over the past six months reached an annual rate of more than $3½ billion. Of course, it goes without saying that this situation would not exist were it not for our aid programs. Nevertheless, it is an improvement over the recent past.

The Question of Currency Reserves

Because world trade is now in relatively much better balance, it might seem that many other nations of the world could, if they so desired, drop restrictions on dollar imports and make their currencies convertible without lowering living standards. However, such action now would involve serious risks because of the low level of gold and dollar reserves outside the United States. Britain's gold and dollar reserves are now equal to only 2½ months' imports as against 9 months' in 1938. In France, reserves today also equal 2½ months' imports but France's reserves in 1938 were equal to more than 2 years' imports. With reserves at this perilously low level, a mild United States recession of the 1949 variety could wreck a move toward convertibility. Falling prices in the United States could quickly shift the balance of trade once more against the non-dollar nations. Monetary reserves need to be large enough so that at least mild recessions or other disturbances to the flow of trade can be accommodated without a serious crisis.

Adequate reserves are even more important in the world economy today than in the prewar period. The size of the reserves must be greater both because currencies have depreciated in value and because there is a general lack of confidence in the stability of currencies. The British have the added problem of the unfunded sterling balances held over from the war.

Thus, despite the fact that the outlook for the convertibility of most non-dollar currencies seems brighter today than at any time in the postwar era, a lasting solution will not be found so long as gold and dollar reserves are so low. A permanent solution will also be lacking so long as the European nations are dependent on American aid for bridging the gap between the value of our exports and the value of the goods and services we buy from them. To get along without United States aid and without reducing living standards, the rest of the world needs to earn more dollars. Europe can pay for expanded imports from the United States only (1) by increased exports to the United States; (2) by increased dollar earnings in third areas; or (3) by increased United States overseas investment.

This is axiomatic. The sooner we come to realize these facts, the sooner we are likely to take the necessary steps toward solving the problem. We must recognize that United States tariffs and customs restrictions offer one of the most important barriers to the expansion of world trade. Other countries must sell more to us if they are to absorb our exports without subsidy. They cannot afford to remove restrictions on our exports to them unless we make it easier for them to sell their goods here.

But reducing tariffs and trade restrictions, while an essential step in the reestablishment of normal trade, will not succeed if it is carried out as an isolated policy. Other steps are necessary. Debtor nations must adopt a firm policy against inflation, to make their exports more competitive and to achieve a balance in their foreign trade. In some instances where inflation has already reached dangerous proportions, corrective monetary policies would have to [illegible] cause unemployment and hardship. However, these nations can make the necessary adjustments without undue hardship if they combine internal monetary measures with an appropriate devaluation of the currency.

Conditions Needed to Restore Normal Free Trade

To summarize, the conditions needed to promote the reestablishment of normal free trade and a growing world economy are:

(1) Conservative internal financial policies preventing inflation;

(2) The establishment of adequate currency reserves; and

(3) The drastic reduction of tariffs and other trade barriers.

Convertibility of currencies is the product made possible by these three conditions and must follow—not precede them.

Thus far I have listed corrective measures in the abstract without reference to such practical problems as timing and synchronization. It would be a great mistake, for example, for Britain acting alone to free her exchange by making her currency convertible. She should only do so if she were assured that similar steps would be taken simultaneously by other important trading nations. If she acted alone, other nations might cut their purchases from Britain to pile up sterling. They could then convert the sterling into dollars thereby solving their own dollar shortage at the expense of Great Britain. This is one of the factors contributing to the failure in 1947 to make sterling convertible. Even though underlying conditions may be more favorable today, it is of the utmost importance that any move toward the freeing of trade and convertibility should be assured of success. If it should fail again, it would probably discredit the whole idea of convertibility for many years.

It must likewise be recognized that how and when tariffs and trade restrictions are abandoned is all-important. Any reduction in our tariffs is going to harm someone. Nevertheless, governments must be guided by the overall interest of the country rather than by the interest of any individual or group. In times of full employment, such as the present, tariffs could in all probability be reduced drastically and rapidly without producing a serious drop in employment or a major industrial dislocation. In support of this thesis is a recent report to the President by Mr. Daniel Bell which recommended substantial reductions in tariffs on manufactured goods. The report indicates that these reductions would increase our imports by $500 to $700 million a year. Mr. Bell estimates that as a result there might be 60,000 to 90,000 workers who would be displaced from their present jobs. This would mean 1 out of every 1,000 people at work in the United States. With the present demand for labor and a growing export market alternative jobs would be available for these workers. Even a temporary dislocation of this kind is undesirable but if it could assist materially in freeing the trade of the world and thereby in raising living standards, it would be worthwhile.

It should be our long-range objective to expand trade rather than to rely on aid. Nevertheless, it is equally obvious that it would not be to our own advantage to reduce aid substantially just now when we are seeking to build up the military strength of our allies. The program can best be tapered off by shifting the emphasis from shipments from this country to a larger proportion of off-shore purchases. Under the program for off-shore purchases, we pay dollars to finance production of defense items in Western Europe and Japan for use either by our troops or those of our allies. These dollars can be used to buy imports from the United States.

The Long-Run Aspect

Thus far we have discussed some of the relatively short-run steps which must be taken in order to make possible a free and expanding world economy. In the long run, the existence of world trade depends on an aggressive and imaginative program of international economic development. From the point of view of the United States, this is essential for two reasons. In the first place, the United States is rapidly becoming dependent on the rest of the world for a substantial share of the raw materials which we require to support our vast production. American know-how and private capital has an important role to play in developing foreign supplies of raw materials. Our productive capacity is growing so rapidly that when the rate of our military expenditures starts to decline, we will need to develop new markets both at home and in other parts of the world to absorb a share of our production. These new foreign markets will exist only if there is a rising standard of living in the under-developed areas of the world. By supplying the raw materials we require, these areas can earn the dollars needed to support their own development. Thus, capital investments will serve the dual purpose of bridging the dollar gap and of providing future markets.

It is true that the prospects for attractive capital investment in the more highly industrialized portions of the world, other than the United States and Canada, are not as great at the moment as in the under-developed areas where raw materials production can be developed. The industrialized areas will, nevertheless, benefit from investments in raw materials elsewhere. They also will have access to new sources of supply and to new markets. United States trade with England and Europe before the war was carried on to a large extent on a triangular basis. This pattern of trade should be reestablished but to do so it is necessary to expand the economies in the under-developed areas.

From the point of view of the entire world, a program to develop natural resources by the investment of private United States capital in the under-developed areas is highly advantageous. It is good from a humanitarian point of view in that it share with the rest of the world the fruits of our own prosperity. It is good from a political and military point of view in that prosperity creates the conditions necessary for political stability and military strength. The need for raw materials is so great that it is of vital importance that governments around the world adopt policies that encourage international investment.

Basis of Stable Prosperity

In conclusion, let me reiterate these points. The welfare of the United States calls for stable prosperity and a rising standard of living in all parts of the free world. The domestic and foreign economic policies of the United States will have much to do with making possible such prosperity although the full cooperation of other nations is essential. The most important steps to be taken by the United States are (1) Pursue fiscal and monetary policies designed to promote Economic stability; (2) Take prompt and positive steps to reduce tariffs and other trade restrictions; (3) Encourage the establishment of adequate gold and dollar reserves in the non-dollar areas, and (4) Pursue policies both at home and abroad which will stimulate the flow of private capital to other countries, especially to those parts of the world with reserves of raw materials needed by our industrial machine. At home this may require tax incentives and other types of new legislation. Abroad it will require on the part of our government a well formulated and consistent policy executed with sympathetic understanding and firmness.

In this way, gentlemen, I believe that the unprecedented economic power of the United States can be used to the benefit of ourselves and of the free world at large.

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As We See It

new Administration in Washington and those groups in Congress upon whom it must rely for support, do not view these matters in this sort of way. They will, it may be taken for granted, have to be prepared to contend with many in Congress, and, we suspect, quite possibly within the ranks of their own party, who have very much this sort of notion about curtailing the outlays of the Federal Government. They will be called upon to make very difficult decisions as to what is and what is not really essential. There is no way by which the swollen Federal Government expenditure can be brought within really reasonable bounds without eliminating programs now carried on by the national government.

More Efficiency

More efficiency there must be, and the amounts which could be saved the taxpayers by getting things done more nearly like efficient private business gets things done are certainly not negligible. On the contrary the enormous benefits which should accrue to the public by the influx of business executives of proved capacity must come in large measure from the introduction of accepted business procedures in the management of the business affairs of government. Notwithstanding the sneering remarks of the professional politicians who do not want to reduce outlays, the fact remains that, when government undertakes to do something then its operations and the way it goes about getting things done are not essentially different—or should not be—from the way business gets things done at low levels of cost.

But the task of making such changes and making them stick is much more difficult than in private business—and there's the rub, or at least one of them. In a business organization it is for the most part profit that counts with directors and stockholders, and profits are ordinarily, in important part at least, dependent upon getting things done with a minimum of cost. Of course, the responsible executive must consider the morrow. The profits which are the test are the profits over the years, not merely what can be made in one year, perhaps by liquidating intangible assets. But so long as the executive is really making a success of the enterprise he is managing, he is usually largely left to his own devices and supported by stockholders and directors in important matters. Such support may not be forthcoming from party politicians—or from other politicians for that matter—and the basis for support is different. This is where the businessman turned government official must learn a game somewhat new to him.

He is certain to be confronted with difficulty greatly enhanced when the time comes to lop off this or that activity of government. Then it is that those who have acquired a vested interest in these programs of government appear in incredibly large numbers and with surprisingly strong backing; backing which is out of all proportion to any public welfare yardstick. And here it is that those who undertake real economy in government must show good sound judgment in deciding what is really useful and appropriate to the functions of government and what is not, and then must show iron determination and boundless tact and skill in gaining support and holding it.

Battle Lines Are Being Drawn

Lines of battle such as these are now being obviously drawn in Washington. There are those among the politicians — usually anti-Administration groups — who are chortling over the difficulties that the President and his "team" are having in finding ways and means of reducing expenditures. They are smiling whenever some one of these gentlemen say anything to the public about the difficulties they are encountering, or warn the public not to expect too much too quickly. But they find their greatest field of activity and, so they hope, the best opportunity for the cultivation of political harvests in the months and years to come in reported decisions to discontinue this or that activity of the Federal Government. This is particularly true when any of the politically favored elements in the population feel or can be made to feel that they are the victims of such steps. This responsible officials must expect. They must even be prepared for difficulties of this sort from members of their own party.

But let them not be discouraged. There are many men and women in this country who wish, yes, insist that precisely such steps as these be taken. Nor must officials weaken in their belief that great opportunities exist for constructive effort. The old Rooseveltian notion, so ardently supported by President Truman, that all their budgets were "tight" budgets, that nothing of consequence could be squeezed from them without crippling really essential services is just plain buncombe. Current talk about the budget plans left for President Eisenhower is equally without validity. After all, we are today expending sums each year which only a few years ago would have been regarded as utterly incredible, and much of the money is certainly wasted in inefficient performance, and more of it is going for purposes which a decade or two ago would have been regarded as wholly outside the true sphere of government.

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The Basis for Standby Controls

are confused between the economics of war and the economics of peace. Under war or near-war conditions, to raise taxes and leave prices uncontrolled is to invite every producer to try to pass on the tax increases in higher prices both to the government and to the individual consumer. This whips on the inflationary spiral of wage and price rises. What you must do is hold your price line stable, even while you raise taxes.

It is understandable, of course, that men should project their beliefs and fears about the peacetime workings of our economic system into their thinking of wartime needs. But we must not let this confusion obscure the issue before us.

What Must Be Done

In case of war these powers would have to be legislated. There is no other way of mobilizing a nation. Your choice is only whether you do what has to be be done now and gain all the advantages of preparation. Or whether you wait until later and pay the terrible price of a loss of vital time.

May I add this — neither in World War I nor in World War II, nor in the Korean conflict were any demands made of our civilian population which even closely approached what was demanded of our men on the fighting fronts.

No Sacrifices Asked

Really, gentlemen, think how little is asked of us to preserve so much.

As for the bills before you, none is adequate by itself. Let me emphasize, price or wage control cannot stand alone. They are but parts of the over-all mobilization authority you need. You may be thinking of dealing with other mobilization powers like priorities, commandeering and credit control in other legislation.

Not the Same Mistakes

However you manage it, the legislation you finally enact should do two things:

(1) It should provide standby authority for doing everything that was necessary in the last war plus whatever else may seem necessary because of atomic developments. All segments of the economy should be treated alike, with special favors for none.

(2) It should charge some one agency with working out in full detail all the plans needed to carry out this legislation and to build at least a skeleton force of trained personnel capable of being expanded rapidly in actual emergency.

Train Men Now

I would like to see top-caliber men and women from every segment of the economy serving with this mobilizing agency for say eight months. They would spend the first four months in intensive study of our mobilization plans and procedures and the last four months breaking in their successors. In that way our mobilization plans and methods would be under constant review by men of practical experience and there would be built up in the country a reserve of trained personnel for both government and industry, agriculture, labor, civilian defense and every other field.

Later this week, as I understand it, you will be hearing the testimony of various members of the Administration. Many of these officials are new to Washington. I have no idea what position they will take — whether they have thought through this most important problem or whether they will confuse their peacetime economic philosophy with the needs of war, whether they will face up to—or evade—the decisions that must be made.

Let us hope they will not repeat the arguments and mistakes that were made at the start of World War II—and which were proven wrong at such needless, tragic cost to the American people.

Let us hope they will not repeat the arguments and mistakes that were made at the start of the Korean War—and which were proven wrong at a cost which still grows.

Courage of Congress

If what the Administration recommends falls short, I hope this Committee will again show the courage of its convictions, even as you did in the September after the Korean outbreak, and write into law what two world wars and the Korean War have shown is the right thing to do.

Not just prices or wages or profits are at stake in this legislation. What you do—or do not do—will speed or slow any mobilization that may be forced upon us. It will reduce or increase our casualty lists. It could determine the very survival of this nation, which has lifted man's freedom and dignity to heights never matched in all recorded history.

Shall it be written that all this was lost because we could not see beyond our peacetime habits to prepare in advance for what war would bring?

Shall it be written that all this was lost because when we had the time we could not get ready for when there will be no time?

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The State of Trade and Industry

of the biggest consumers. Big consumers are also still actively seeking steel from warehouses, concludes "The Iron Age."

Car and truck production in the United States rose to its highest point in two years the past week, according to "Ward's Automotive Reports."

The agency said 127,748 autos were built last week, 1,132 more than the previous week and 41% higher than the 90,258 in the like 1952 week.

Producers now indicate they will turn out 3,300,000 cars in the first half of this year, said "Ward's" rather than the 3,200,000 projected several weeks ago. They have a revised their estimates for the first half, believing "more steel will be available" and the labor supply will be "fairly adequate" in the second quarter.

Manufacturers are now "wrapping up" their scheduled output of 1,500,000 cars for the initial quarter this year and plan to complete 1,800,000 cars in the second quarter, "Ward's" reported. Earlier, it had predicted 1,700,000 cars would be assembled in April-June quarter.

This week a survey released by the Securities and Exchange Commission and the United States Department of Commerce reveals that firms in this country plan to spend a record $27,000,000,000 on new plant and equipment this year. That would be $500,000,000 more than dollar outlays in 1952, the previous high, "if present programs materialize," the two agencies noted. It would be $1,500,000,000 greater than such expenditures in 1951.

The survey results are contrary to earlier estimates by government and private economists. At the turn of the year, they were guessing that business capital outlays would be about $500,000,000 lower this year than last.

Continuing to inch upward in February, business failures rose 7% to 691, the heaviest toll in 10 months, according to Dun & Bradstreet, Inc., Failure Index. While there were more casualties this February than in the similar month of the previous two years, failures were well below the postwar February high of 811 which occurred in 1950.

The liabilities involved in February's failures climbed 17% to $27,273,000, the largest volume since October. Concerns succumbing with liabilities of more than $100,000 were primarily responsible, rising to their highest level in 10 months.

Failures were more numerous than a month ago in all of the major industry groups.

Failures in wholesaling and retailing reached the highest level in 10 months.

In comparison with a year ago, casualties this February were higher in seven of the nine major geographical regions; the New England and Mountain States were the two exceptions to this upward tendency.

February building permit values increased moderately over the preceding month and the like month a year ago, Dun & Bradstreet, Inc., reports. The total for the month, covering 215 cities, amounted to $336,391,002, comparing with $315,320,903 in February last year, for a rise of 6.7%, and with $306,568,308 in January, for a gain of 9.7%.

Volume of building plans filed in New York City alone during February came to $27,394,212. This was a drop of 18.9% from the corresponding 1952 month with $33,765,418, and 4.8% less than the January sum of $28,765,075.

Four of the geographical regions showed gains over February a year ago, and four showed losses. Best advances appeared in the Mountain and Pacific regions, up 31.9 and 30.9%, respectively. Heaviest declines were in the West Central and New England regions, down 23.1 and 22.7%, respectively.

Steel Output Last Week Set a New Weekly High

Watch the automobile industry for the clue as to when steel will become plentiful, says "Steel," the weekly magazine of metalworking, on Monday of this week.

While most other steel consumers, too, are pressing hard for material, the auto industry's attitude is particularly significant because it is the largest consumer of steel and any change in its procurement efforts stands out unmistakably, this trade paper adds.

While business analysts are wondering whether the auto industry will be able to sell all the cars it hopes to make in the first half, the auto company steel buyers are beginning to say their wants in the third quarter will be greater than those of the second.

Although retail deliveries of autos have been at a fast pace, dealers' stocks of new cars on Feb. 20 (latest date of a nationwide count) totaled 374,201, highest level since Nov. 30, 1951, when the total was 375,104. Since Dec. 20, there has been a steady climb in stocks by 10-day periods, this trade weekly asserts.

Not on every front, however, is the demand strong for steel. Railroads indicate they will need very little volume of plates, bolts and spikes this year. Supplies of them ordered last year are still on hand because deliveries of rails were delayed in 1952 by the steelworkers' strike. In fact, railroad spikes are readily available. Demand for structural steel is tapering somewhat and one reason is the completion of many defense building programs, states this trade journal.

For the first time in more than two years, steel is free from government controls on prices. It is not expected, however, that the steel industry will take advantage of its reacquired freedom to make a general increase in prices.

In making its semi-annual price policy announcement on tin mill products, U. S. Steel Corp. said tin plate and other tin mill products will not be raised in price during the period of from April 1 to Sept. 30, concludes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 100.2% of capacity for the week beginning March 23, 1953, equivalent to 2,259,000 tons of ingots and steel for castings. In the week starting March 16, production for the third consecutive period created a new weekly record at 2,288,000 net tons and the rate was placed at 101.5%. For the like week a month ago the rate was 99.4% and production 2,240,000 tons. A year ago when the capacity was smaller actual output was 2,141,000 tons, or 103.1%.

Electric Output Again Moves Lower

The amount of electric energy distributed by the electric light and power industry for the week ended March 21, 1953, was estimated at 8,077,706,000 kwh., according to the Edison Electric Institute.

The current total was 60,326,000 kwh. below that of the preceding week when output totaled 8,138,032,000 kwh. It was 723,729,000 kwh., or 9.8% above the total output for the week ended March 22, 1952, and 1,229,920,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Make Further Gains

Loadings of revenue freight for the week ended March 14, 1953, totaled 700,108 cars, according to the Association of American Railroads, representing an increase of 15,092 cars, or 2.2% above the preceding week.

The week's total represented a decrease of 8,867 cars, or 1.3% below the corresponding week a year ago, and a decrease of 45,020 cars, or 6% below the corresponding week in 1951.

United States Auto Output Advances to Highest Rate in Two Years

Passenger car production in the United States last week rose to its highest point in two years, according to "Ward's Automotive Reports."

It aggregated 127,748 cars compared with 126,616 cars (revised) in the previous week. This was 41% more than the 90,258 cars turned out in the year ago week.

Total output for the past week was made up of 127,748 cars and 29,960 trucks built in the United States, against 126,616 cars and 28,992 trucks the previous week and 90,258 cars and 26,154 trucks in the comparable 1952 week.

Canadian factories turned out 7,875 cars and 2,705 trucks last week, against 7,536 cars and 2,618 trucks in the preceding week and 5,805 cars and 3,030 trucks in the comparable 1952 week.

Business Failures Continue to Decline

Commercial and industrial failures decreased slightly to 160 in the week ended March 19 from 165 in the preceding week, Dun & Bradstreet, Inc., states. For the first time in a month, casualties were not as heavy as a year ago when 181 occurred; they were also off slightly from the 1951 total of 170. Continuing far below the prewar level, failures were less than one-half as numerous as in 1939 when 350 concerns succumbed.

Casualties involving liabilities of $5,000 or more dipped to 130 from 145 in the previous week and 150 last year. An increase, on the other hand, appeared among small failures, those having liabilities under $5,000, which rose to 30 from 20 a week ago and were almost even with the 31 of this size in the similar week of 1952.

Wholesale Food Price Index Moves Sharply Higher

A sharp upswing last week in the Dun & Bradstreet wholesale food price index lifted the March 17 figure to $6.42, from $6.28 a week earlier. This represented a rise of 2.2% in the week, bringing the current number to the highest in five months, or since Oct. 7, 1952, when it stood at $6.44. A sharp advance in coffee following decontrol accounted for almost half of the week's gain. The latest index compares with $6.54 at this time a year ago, or a drop of 1.8%.

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 Edges Upward

The general level of prices displayed a gradual uptrend during the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 283.37 on March 17, from 281.23 a week earlier, and compared with 303.05 on the corresponding date last year.

Leading grain markets scored minor gains during the week although movements continued irregular. Wheat strengthened despite the improved outlook for the crop due to general rains in growing areas. Support was largely prompted by the huge amount of wheat said to be impounded under the government support program. Export demand for wheat remained slow. Firmness in corn reflected light country offerings and a tapering off of sales of government-owned corn in spot markets. The yellow cereal was reported going into the loan at a rapid rate. Trading on the Chicago Board of Trade was less active last week. Sales of all grain and soybean futures dropped to a daily average of 41,000,000 bushels, from 48,500,000 the week before, and 42,800,000 bushels in the corresponding week a year ago.

Domestic flour business the past week was confined mostly to nearby needs. Moderate bookings were reported in Spring wheat bakery flours around mid-week, but interest in hard Winter wheat varieties was restricted to small lot replacement buying.

Following the lifting of OPS ceiling restrictions on coffee last week, prices went sharply higher. The Santos 4 grade in the New York market was quoted at 62½ cents a pound, representing a rise of 7 cents above the recent ceiling.

Roasters have advanced their coffee prices from 2 to 6 cents a pound over the past two weeks. Dealer buying and short covering imparted a firmer tone to the cocoa market toward the close of the week. Warehouse stocks of cocoa declined during the week, and totaled 72,192 bags, as against 78,053 a week earlier, and 100,079 on the corresponding date last year. Further advances were scored in lard prices last week, reflecting continued strength in vegetable oils and the higher trend in live hog values.

Cotton prices continued to work moderately higher last week to reach the highest level in about three months.

Strengthening influences included mill price-fixing, short covering, and buying prompted by concern over disturbing "incidents" in Germany. Tending to hold advances in check were reports indicating plantings this year may exceed last year, and continued slowness in textile markets and in cotton export business. The declining rate of loan entries also was a depressing influence. CCC loan entries reported in the week ended March 6 fell to 36,600 bales, from 60,000 the preceding week, and 59,100 two weeks earlier. Consumption of cotton during the four-week February period, as estimated by the New York Cotton Exchange, totaled 735,000 bales, or a daily average of 37,400 bales. The latter compared with a daily rate of 36,500 bales the previous month, and 39,100 in February a year ago.

Trade Volume Perks Up as Easter Approaches

Shoppers in most parts of the nation increased their spending perceptibly in the period ended on Wednesday of last week as the approach of Easter stirred renewed interest in apparel. Since Easter is a week earlier than in 1952, many merchants encountered little difficulty in surpassing the sales figures of a year before. Retailers generally chalked up the largest sales receipts recorded at this time of the year.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3 to 7% higher than that of a year ago. Regional estimates varied from the correspond levels of a year ago by the following percentages:

New England and Midwest +2 to +6; East +1 to +5; Southwest +5 to +9; Northwest +3 to +7; South and Pacific Coast +4 to +8.

Apparel stores reported that the Spring shopping season was nearly in full swing. Mild weather in many sections evoked spirited response to promotions of Spring finery.

Most merchants were confident of selling more than in any previous Easter shopping season.

There were substantial rises in the buying of women's suits and coats, particularly in the medium to better grades.

Last-minute preparations for the new shopping season held the attention of most buyers in the week ended this Wednesday. However, there continued to be a strong re-order demand for many items, particularly apparel. As during recent months the total dollar volume of wholesale orders remained larger than that of a year before.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended March 14, 1953, increased 11% from the level of the preceding week. In the previous week an increase of 9% (revised) was reported from that of the similar week of 1952. For the four weeks ended March 14, 1953, an increase of 8% was reported. For the period Jan. 1 to March 14, 1953, department store sales registered an increase of 4% above 1952.

Retail trade in New York the past week was stimulated by good weather and the near approach of Easter. The rise approximated about 6% to 7% above the 1952 week.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended March 14, 1953, increased 7% from the like period of last year. In the preceding week an increase of 2% was reported from that of the similar week of 1952, while for the four weeks ended March 14, 1953, an increase of 3% was recorded. For the period Jan. 1 to March 14, 1953, volume declined 2% under that of 1952.

With Protected Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Wilber J. Gehrke is with Protected Investors of America, Russ Building.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, Ga. — Walter C. Stevenson has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 125 Eighth Street.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Mar. 29	§100.2	*101.5	99.4	103.1
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 29	§2,259,000	*2,288,000	2,240,000	2,141,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 14	6,449,950	6,439,800	6,544,500	6,404,400
Crude runs to stills—daily average (bbls.)	Mar. 14	¶7,060,000	6,963,000	7,017,000	6,693,000
Gasoline output (bbls.)	Mar. 14	23,147,000	23,131,000	23,552,000	21,756,000
Kerosene output (bbls.)	Mar. 14	2,425,000	2,966,000	2,708,000	2,472,000
Distillate fuel oil output (bbls.)	Mar. 14	10,544,000	10,297,000	10,582,000	10,219,000
Residual fuel oil output (bbls.)	Mar. 14	9,318,000	9,035,000	8,773,000	8,981,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 14	160,869,000	159,434,000	154,469,000	154,740,000
Kerosene (bbls.) at	Mar. 14	18,640,000	19,843,000	21,815,000	16,442,000
Distillate fuel oil (bbls.) at	Mar. 14	62,545,000	65,476,000	74,978,000	51,665,000
Residual fuel oil (bbls.) at	Mar. 14	42,284,000	43,628,000	45,954,000	36,417,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 14	700,108	685,016	681,750	708,975
Revenue freight received from connections (no. of cars)	Mar. 14	668,949	672,031	666,145	671,243
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 19	$316,089,000	$266,241,000	$144,052,000	$250,763,000
Private construction	Mar. 19	231,750,000	103,156,000	81,403,000	157,204,000
Public construction	Mar. 19	84,339,000	163,085,000	62,649,000	93,559,000
State and municipal	Mar. 19	74,586,000	137,273,000	34,393,000	71,801,000
Federal	Mar. 19	9,753,000	25,812,000	28,256,000	21,758,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 14	8,430,000	8,100,000	8,350,000	9,738,000
Pennsylvania anthracite (tons)	Mar. 14	662,000	583,000	527,000	716,000
Beehive coke (tons)	Mar. 14	127,800	122,100	119,100	139,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 14	100	*96	92	90
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 21	8,077,706	8,138,032	8,196,186	7,353,977
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 19	160	165	176	181
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 17	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Mar. 17	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Mar. 17	$44.08	$44.08	$43.67	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 18	29.150c	29.575c	24.200c	24.200c
Export refinery at	Mar. 18	34.275c	34.600c	35.125c	27.425c
Straits tin (New York) at	Mar. 18	121.500c	121.500c	121.500c	121.500c
Lead (New York) at	Mar. 18	13.500c	13.500c	13.500c	19.000c
Lead (St. Louis) at	Mar. 18	13.300c	13.300c	13.300c	18.800c
Zinc (East St. Louis) at	Mar. 18	11.000c	11.000c	11.500c	19.500
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 24	94.08	94.86	94.89	96.81
Average corporate	Mar. 24	107.27	107.62	108.16	109.79
Aaa	Mar. 24	110.70	111.07	111.62	113.89
Aa	Mar. 24	109.42	109.97	110.34	112.56
A	Mar. 24	106.39	106.56	107.27	108.88
Baa	Mar. 24	102.80	102.96	103.47	104.14
Railroad Group	Mar. 24	105.17	105.17	106.04	106.56
Public Utilities Group	Mar. 24	106.74	107.27	107.62	109.42
Industrials Group	Mar. 24	109.97	110.15	110.88	113.50
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 24	2.92	2.87	2.86	2.72
Average corporate	Mar. 24	3.32	3.30	3.27	3.11
Aaa	Mar. 24	3.13	3.11	3.08	2.96
Aa	Mar. 24	3.20	3.17	3.15	3.03
A	Mar. 24	3.37	3.36	3.32	3.23
Baa	Mar. 24	3.58	3.57	3.54	3.50
Railroad Group	Mar. 24	3.44	3.44	3.39	3.36
Public Utilities Group	Mar. 24	3.35	3.32	3.30	3.20
Industrials Group	Mar. 24	3.17	3.16	3.12	2.98
MOODY'S COMMODITY INDEX	Mar. 24	418.6	423.0	410.0	437.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 14	226,218	369,535	217,420	183,464
Production (tons)	Mar. 14	242,903	251,232	245,665	205,407
Percentage of activity	Mar. 14	94	96	95	85
Unfilled orders (tons) at end of period	Mar. 14	517,597	544,346	514,273	409,339
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Mar. 20	107.49	107.45	107.89	109.67
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	Mar. 7	29,803	29,167	35,698	30,995
Number of shares	Mar. 7	850,000	869,737	1,036,903	863,650
Dollar value	Mar. 7	$37,963,466	$38,182,423	$44,249,552	$41,129,188
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 7	28,961	25,968	31,059	24,617
Customers' short sales	Mar. 7	201	199	166	185
Customers' other sales	Mar. 7	28,760	25,769	30,893	24,432
Number of shares—Total sales	Mar. 7	803,112	738,713	879,779	690,205
Customers' short sales	Mar. 7	7,131	7,325	5,930	6,279
Customers' other sales	Mar. 7	795,981	731,388	873,849	683,926
Dollar value	Mar. 7	$32,203,188	$29,216,202	$35,217,630	$29,198,097
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 7	258,950	208,110	266,590	179,850
Short sales		------	------	------	------
Other sales	Mar. 7	258,950	208,110	266,590	179,850
Round-lot purchases by dealers—					
Number of shares	Mar. 7	318,550	343,190	380,960	401,230
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Feb. 28	422,140	257,720	261,770	271,710
Other sales	Feb. 28	8,984,260	6,658,330	8,435,740	6,233,920
Total sales	Feb. 28	9,406,400	6,916,050	8,697,510	6,505,630
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 28	929,330	658,070	867,250	651,690
Short sales	Feb. 28	213,700	129,900	150,920	137,560
Other sales	Feb. 28	800,720	510,560	685,170	520,140
Total sales	Feb. 28	1,014,420	640,460	836,090	657,700
Other transactions initiated on the floor—					
Total purchases	Feb. 28	267,390	152,460	191,790	125,400
Short sales	Feb. 28	34,600	21,000	10,500	14,400
Other sales	Feb. 28	245,480	136,640	201,010	131,360
Total sales	Feb. 28	280,080	157,640	211,510	145,760
Other transactions initiated off the floor—					
Total purchases	Feb. 28	295,586	225,881	302,710	301,945
Short sales	Feb. 28	65,740	34,020	53,550	35,750
Other sales	Feb. 28	461,564	327,750	300,152	327,611
Total sales	Feb. 28	527,304	361,770	353,702	363,361
Total round-lot transactions for account of members—					
Total purchases	Feb. 28	1,492,306	1,036,411	1,361,750	1,079,035
Short sales	Feb. 28	314,040	184,920	214,970	187,710
Other sales	Feb. 28	1,507,764	974,950	1,186,332	929,111
Total sales	Feb. 28	1,821,804	1,159,870	1,401,302	1,166,821
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Mar. 17	110.2	109.9	109.6	111.8
Farm products	Mar. 17	100.2	*98.4	98.5	108.1
Processed foods	Mar. 17	104.9	*105.4	105.3	109.3
Meats	Mar. 17	94.5	95.9	97.6	112.6
All commodities other than farm and foods	Mar. 17	113.4	*113.3	112.8	113.2

*Revised figure. ¶Includes 638,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of February:			
New England	$11,591,366	$14,599,976	$14,986,948
Middle Atlantic	51,510,508	49,495,805	62,305,102
South Atlantic	38,474,136	35,213,438	33,068,865
East Central	77,599,329	46,688,776	57,628,884
South Central	53,630,948	60,430,585	58,966,245
West Central	17,339,392	13,826,189	22,555,473
Mountain	13,685,808	9,579,475	10,372,331
Pacific	72,559,515	67,534,064	55,437,055
Total United States	$336,391,002	$306,468,308	$315,320,903
New York City	27,394,212	28,765,075	33,765,418
Outside New York City	308,996,790	277,703,233	281,555,485
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of February:			
Manufacturing number	132	130	133
Wholesale number	76	66	60
Retail number	348	334	304
Construction number	86	78	70
Commercial service number	49	39	52
Total number	691	647	619
Manufacturing liabilities	$8,452,000	$9,107,000	$5,614,000
Wholesale liabilities	5,124,000	2,590,000	3,728,000
Retail liabilities	9,139,000	8,009,000	6,548,000
Construction liabilities	3,378,000	2,735,000	1,935,000
Commercial service liabilities	1,180,000	868,000	1,649,000
Total liabilities	$27,273,000	$23,309,000	$19,474,000
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC. (1947-1949=100)—Month of February	128.3	*129.1	121.5
COPPER INSTITUTE—For month of February:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	83,050	*81,625	80,876
Refined (tons of 2,000 pounds)	101,538	108,010	95,979
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	117,204	125,133	104,795
Refined copper stock at end of period (tons of 2,000 pounds)	60,944	59,836	59,747
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed month of February	765,778	893,808	769,641
In consuming establishments as of Feb. 28	1,861,629	1,733,358	1,682,891
In public storage as of Feb. 28	6,940,360	1,477,283	4,444,558
Linters—Consumed month of February	109,962	111,009	120,498
Stocks Feb. 28	1,091,947	1,034,365	629,430
Cotton spindles active as of Feb. 28	20,277,000	20,314,000	19,975,000
COTTON GINNING (DEPT. OF COMMERCE)			
Running bales report issued March 20	14,949,107	------	15,071,552
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 AVERAGE=100—Month of February:			
Sales (average monthly), unadjusted	71	79	77
Sales (average daily), unadjusted	79	78	82
Sales (average daily), seasonally adjusted	96	97	100
Stocks, unadjusted	107	101	*103
Stocks, seasonally adjusted	110	114	*106
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of December—			
All manufacturing (production workers)	13,527,000	*13,452,000	12,911,000
Durable goods	7,816,000	*7,713,000	7,322,000
Nondurable goods	5,711,000	*5,739,000	5,589,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	109.4	*108.8	104.4
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	149.6	*145.4	132.9
Estimated number of employees in manufacturing industries—			
All manufacturing	16,713,000	*16,625,000	15,913,000
Durable goods	9,622,000	9,507,000	9,000,000
Nondurable goods	7,091,000	*7,118,000	6,913,000
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1935-39=100—Month of Jan.:			
Seasonally adjusted	237	235	221
Unadjusted	233	233	217
PROSPECTIVE PLANTING FOR 1949 — U. S. CROP REPORTING BOARD — ACREAGES IN THOUSANDS—As of March 1:			
Corn, all	81,764	------	82,658
All spring wheat	21,600	------	21,518
Durum	2,145	------	2,306
Other spring	19,455	------	19,212
Oats	43,777	------	42,975
Barley	9,357	------	9,335
Flaxseed	4,142	------	3,459
Rice	2,119	------	2,013
Sorghums for all purposes	14,666	------	12,455
Potatoes	1,509	------	1,417
Sweetpotatoes	367	------	[illegible]
Tobacco	1,659	------	1,776
Beans, dry edible	1,332	------	1,319
Peas, dry field	234	------	228
Soybeans	15,862	------	15,643
Peanuts	1,958	------	1,969
Hay	74,859	------	74,664
Sugar beets	801	------	720
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of February:			
Net sales	------	------	------
Net purchases	$8,797,700	$24,581,000	$6,086,500
U. S. GOVT. STATUTORY DEBT LIMITATION As of Feb. 28 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	267,583,710	267,402,058	260,361,955
Guaranteed obligations not owned by the Treasury	50,029	48,176	36,915
Total gross public debt and guaranteed obligations	$267,633,740	$267,450,235	$260,398,871
Deduct—other outstanding public debt obligations not subject to debt limitation	610,643	612,775	653,576
Grand total outstanding	$267,023,096	$266,837,459	$259,74[illegible]
Balance face amount of obligations, issuable under above authority	7,976,903	8,162,540	15,254,705

*Revised.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Agricultural Insurance Co., Watertown, N. Y.
March 25 filed 100,000 shares of capital stock (par $10) to be offered for subscription by present stockholders at rate of one new share for each three shares held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Blyth & Co., Inc., New York.

Alaska Telephone Corp., Juneau, Alaska
Feb. 27 (letter of notification) $200,000 of 6% 20-year convertible debentures. **Price** — $70 for each $100 of principal amount. **Proceeds**—To expand service. **Underwriter**—Tellier & Co., New York.

Allied Chemical & Dye Corp. (4/1)
March 11 filed $200,000 of 25-year debentures due April 1, 1978. **Price** — To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Morgan Stanley & Co., New York.

★ American International Development Services, Inc., Washington, D. C.
March 16 (letter of notification) 700 shares of common stock (no par). **Price**—$400 per share. **Proceeds**—To conduct technical assistance and industrial development program in foreign countries. **Office**—1625 I St., N. W., Washington, D. C. **Underwriter**—None.

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.

Ashland Oil & Refining Co.
Feb. 27 filed 100,000 shares of cumulative second preferred stock, $1.50 series of 1952 (no par) (convertible prior to June 15, 1962) to be offered for subscription by officers and employees of company and its American and Canadian subsidiaries under a "Restricted Stock Option Plan for Employees." **Price**—Alternate provisions fix the purchase price at 85% and 100%, respectively, of the market value of the stock at the time the options are granted. **Proceeds**—For working capital and used in part for property additions and improvements. **Underwriter**—None.

Ashtabula Telephone Co. (Ohio)
Feb. 20 (letter of notification) 10,000 shares of common stock being offered to common stockholders of record Feb. 26 at rate of one new share for each three shares held; rights expire on April 2. **Price**—At par ($25 per share). **Proceeds** — For construction program. **Office**—4616 Park Ave., Ashtabula, Ohio. **Underwriter**—None.

● 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.

Bearings Co. of America, Lancaster, Pa.
March 9 filed $600,000 of first mortgage 5½% convertible bonds due from 1954 to 1963, inclusive. **Price**—100% of principal amount. **Proceeds**—To retire $303,000 4½% convertible bonds and $74,250 of 4½% class A preferred stock and 5% class B preferred stock and for working capital. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

★ Benson & Hedges, New York
March 23 (letter of notification) 306 shares of common stock (par $4) to be offered for subscription by employees under the company's Restricted Stock Option Plan. **Price**—$40 per share. **Proceeds**—For operating capital. **Office**—600 Fifth Avenue, New York. **Underwriter**—None.

★ Big Pay Day Mining Co., Sandpoint, Idaho
March 10 (letter of notification) 250,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Proceeds**—For diamond drilling. **Address**—Box 102, Sandpoint, Idaho. **Underwriter**—None.

★ Blackstone Valley Gas & Electric Co. (4/21)
March 19 filed $5,800,000 first mortgage and collateral trust bonds, due March 1, 1983. **Proceeds**—To repay bank loans and for improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; White, Weld & Co., Kidder, Peabody & Co. and Lee Higginson Corp. (jointly); Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers; Union Securities Corp. **Bids**—To be received up to 11 a.m. (EST) at 49 Federal St., Boston, Mass.

Blair Holdings Corp., San Francisco, Calif.
March 13 (letter of notification) 11,846 shares of common stock (par $1). **Price**—$8 per share. **Proceeds**—To Elbert J. Evans, the selling stockholder. **Underwriter**—Harris, Upham & Co., New York.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

Brockton Edison Co. (4/6)
March 6 filed $4,100,000 first mortgage and collateral trust bonds due Feb. 1, 1983. **Proceeds**—To repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Harriman Ripley & Co. Inc.; Coffin & Burr, Inc.; The First Boston Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Estabrook & Co. and Stone & Webster Securities Corp. (jointly). **Bids**—To be received up to 11 a.m. (EST) on April 6 at 49 Federal St., Boston, Mass.

★ Bureau of National Affairs, Inc., Washington, D. C.
March 18 (letter of notification) 1,000 shares of common stock (no par) to be offered for subscription by employees. **Price**—$30 per share. **Proceeds**—For operating expenses. **Office**—1231 24th St., N. W., Washington, D. C. **Underwriter**—None.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. Price—At par. Proceeds—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. Underwriters — Dallas Rupe & Son, Dallas, Texas; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. Offering—Postponed.

California Electric Power Co. (3/31)
March 2 filed 136,249 shares of common stock (par $1). **Proceeds**—To repay bank loans and for new construction. Underwriters — To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Union Securities Corp. and J. A. Hogle & Co. (jointly); Lehman Brothers. **Bids**—To be received at 11:30 a.m. (EST) on March 31 at Bankers Trust Co., 46 Wall St., New York 15, N. Y.

California Electric Power Co. (4/6)
March 9 filed $8,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc.; Lehman Brothers. **Bids** — Bids scheduled to be received up to 11.30 a.m. (EST) on April 6.

Carpenter (L. E.) & Co.
March 3 (letter of notification) 1,200 shares of common stock (par $1). **Price** — At market (about $4.62½ to $4.87½ per share). **Underwriter**—Eisele & King, Libaire, Stout & Co., New York. **Proceeds**—To George Lucas, Jr., President. Sold privately.

Celon Co., Madison, Wis.
March 6 (letter of notification) $157,100 of convertible subordinated debentures due 1965. **Price**—At par (in denominations of $100, $500 and $1,000 each). **Proceeds**—For working capital. **Office**—2034 Pennsylvania Ave., Madison 4, Wis. **Underwriter**—None.

Central City Milling & Mining Corp.
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 Power & Light Co.
March 23 filed $3,000,000 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.

Central and South West Corp. (4/1)
March 6 filed 606,084 shares of common stock (par $5) to be offered for subscription by common stockholders of record April 1 in ratio of one share for each 14 shares held; rights will expire on April 20. **Proceeds**—To purchase addiitonal shares of common stock of its four principal subsidiaries, who in turn will use the funds to pay for property additions and improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); Blyth & Co., Inc., Smith, Barney & Co. and Harriman Ripley & Co., Inc. (jointly). **Bids** — To be received up to 11 a.m. (CST) at 20 No. Wacker Drive, Chicago 6, Ill.

★ Century Shares Trust, Boston, Mass.
March 23 filed 250,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Vance, Sanders & Co., Boston, Mass.

★ Clevite Corp., Cleveland, Ohio (4/14)
March 20 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Manufacturers of bearings, bushings, electric components and devices. **Underwriters**—F. Eberstadt & Co., Inc., New York, and Prescott, Shepard & Co., Inc., Cleveland, O.

● Colorado Central Power Co., Englewood, Colo.
March 9 (letter of notification) 14,834 shares of common stock (par $5) being offered for subscription by common stockholders of record March 6 at rate of one share for each 14 shares held; rights will expire April 6. **Price**—$17.50 per share. **Proceeds**—For new construction. **Office**—3470 South Broadway, Englewood, Colo. **Underwriter**—None.

Community Credit Co., Omaha, Neb.
Jan. 26 (letter of notification) 1,500 shares of 5½% cumulative sinking fund preferred stock, series A. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

Cooperative Grange League Federation Exchange, Inc.
Feb. 13 filed 50,000 shares of 4% cumulative preferred stock (par $100) and 700,000 shares of common stock (par $5). **Price**—At par. **Proceeds**—For working capital. **Business**—Production of dairy and poultry feeds. **Office**—Ithaca, N. Y. **Underwriter**—None.

Coronado Copper Mines Corp.
Jan. 23 (letter of notification) 299,970 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire leases, for exploration expenses, to repay loans and for working capital. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Charles J. Maggio, Inc., New York.

Daystrom Manufacturing Co., Chicago, Ill.
Feb. 17 (letter of notification) 14,000 shares of common stock to be offered for subscription by present stockholders. **Price**—At par ($10 per share). **Proceeds**—For new equipment. **Office**—2001-23 No. Parkside Avenue, Chicago 39, Ill. **Underwriter**—None.

★ Detroit Stamping Co., Highland Park, Mich. (4/9)
March 20 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriter**—White, Nobel & Co., Grand Rapids, Mich.

★ Direkt-Form Corp. (N. J.)
March 18 (letter of notification) 40,000 shares of common stock (par 50 cents). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Office**—18 Hamilton St., Bound Brook, N. J. **Underwriter**—None.

★ East Tennessee Natural Gas Co. (4/9)
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), to be offered for subscription by common stockholders at rate of $10 of debentures for each five shares of common stock held. **Price**—To be supplied by amendment. **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.

Eastern Life Insurance Co. of New York
March 5 (letter of notification) 1,500 shares of capital stock (par $5.50). **Price**—$12 per share. **Proceeds**—To Judea Industrial Corp., New York. **Underwriter**—None, but Franklin & Co., New York, will act as broker. No general public offer is planned.

Eastern Tractor Manufacturing Corp., Kingston, N. Y.
Feb. 25 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—For working capital. **Underwriter**—Hunter Securities Corp., New York.

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.

★ Ekco Products Co., Chicago, Ill. (4/15)
March 23 filed $5,000,000 of subordinated debentures due April 1, 1973, and 50,000 shares of common stock (par $2.50), the stock to be sold for the account of selling stockholders. **Price**—To be supplied by amendment.

Proceeds—From sale of debentures, for general corporate purposes. **Underwriter** — Union Securities Corp., New York.

● **El Paso Natural Gas Co.**
March 6 filed 963,882 shares of common stock (par $3), of which 883,882 shares are being offered for subscription by holders of common stock and $4.25 convertible second preferred stock of record March 24 at rate of one new share of common for each four common shares held and one new share of common for each preferred share held; rights to expire April 8. The remaining 80,000 shares are to be reserved for offering to employees. **Price**—$32.50 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter** —White, Weld & Co., New York.

★ **Emerson Electric Manufacturing Co. (4/10)**
March 18 filed 37,230 shares of common stock (par $4) to be offered for subscription by stockholders of record April 10 at rate of one new share for each 12½ shares held. **Price**—To be supplied by amendment. **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.

Equitable Insurance Co., Puerto Rico (4/1)
Feb. 24 (letter of notification) 50,000 shares of common stock to be offered at $1.99 per share; 100,000 shares of class A 6% cumulative participating preferred stock at $1 per share; 100,000 shares of class B 6% cumulative non-participating preferred stock at $1 per share; and 50,000 purchase warrants or options to buy one additional share of either common or preferred class A stock at one cent per warrant. **Proceeds** — For investment. **Address**—P. O. Box 4726, San Juan, Puerto Rico. **Underwriter**—Borinquen Associates, Inc., San Juan.

★ **Family Weekly Magazine, Inc., N. Y.**
March 17 (letter of notification) 200,000 shares of class A common stock. **Price**—At par ($1.50 per share). **Proceeds** — For working capital. **Office** — 237 Madison Ave., New York 16, N. Y. **Underwriter**—None.

★ **Fedders-Quigan Corp. (4/8)**
March 20 filed 41,250 shares of 5½% cumulative preferred stock, 1953 series, par $50 (convertible into common stock on or prior to May 1, 1953), to be offered for subscription by common stockholders about April 8, at rate of one preferred share for each 35 shares of common stock held (with an oversubscription privilege); rights to expire on or about April 21. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Allen & Co., New York.

First Securities Corp., Philadelphia, Pa.
Jan. 21 (letter of notification) 600,000 shares of common stock (par one cent) which includes 22,190 shares being reoffered to the previous purchasers. **Price**—25 cents per share. **Proceeds** — For expansion of business and for working capital. **Underwriter** — First Securities Corp., Philadelphia, Pa.

First Springfield Corp., Springfield, Mass.
Feb. 9 filed 20,000 shares of capital stock (par $10). **Price**—At market. **Proceeds** — For investment. **Underwriter**—D. J. St. Germain & Co., Springfield, Mass.

Fitchburg Gas & Electric Light Co.
March 6 filed 23,698 shares of capital stock (par $25) to be offered to stockholders at rate of one new share for each five shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds** —For construction program. **Underwriter**—None.

★ **Flock Gas & Oil Corp., Ltd., Calgary, Can. (4/15)**
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.

Florida Power & Light Co. (4/7)
March 2 filed $15,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc.; Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co. **Bids**—Tentatively scheduled to be received up to noon (EST) on April 7 at Two Rector St., New York, N. Y.

★ **Forest Management Corp., Washington, D. C.**
March 16 (letter of notification) 2,500 shares of common stock. **Price** — At par ($10 per share). **Proceeds**—For working capital. **Office**—1740 K Street, N. W., Washington 6, D. C. **Underwriter**—None.

General Telephone Co. of the Southwest
March 12 filed 50,000 shares of 5½% cumulative preferred stock. **Price**—At par ($20 per share). **Proceeds**—For property additions. **Underwriter** — None, but Mitchum, Tully & Co., Los Angeles, Calif., will act as dealer-manager.

● **Grand Bahama Co., Ltd., Nassau (4/15)**
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development. **Underwriter**—Gearhart & Otis, Inc., New York.

● **Great Western Uranium Corp. (4/2)**
Feb. 12 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For acquisitions and working capital. **Office** — U. S. Bank Bldg., Grand Junction, Colo. **Underwriter**—Israel & Co., New York.

● **Great Western Yearbook, Inc. (4/1)**
March 10 (letter of notification) 10,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To operate business. **Office**—110 West Broadway, Glendale 4, Calif. **Underwriter**—None.

Guardian Chemical Corp., Long Island City, N. Y.
March 3 (letter of notification) 36,325 shares of common stock (par 10 cents). **Price**—$2.75 per share. **Proceeds**—For working capital. **Underwriter**—Batkin & Co., New York.

Gyrodyne Co. of America, Inc.
Nov. 13 filed 350,000 shares of class A common stock (par $1), to be offered for subscription by stockholders of record Dec. 22, 1952, on a pro rata basis; rights to expire on Feb. 28, 1953. The offering will include 50,000 shares to directors, officers and employees of the company and to certain individuals and firms in payment for services. **Price** — $5.75 per share. **Proceeds** — For engineering and construction of prototype coaxial helicopter. **Office**—St. James, L. I., N. Y. **Underwriter**—None.

● **Hercules Steel Products Corp., Galion, Ohio**
March 5 (letter of notification) 2,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—To Mr. E. A. Walsh and Mrs. E. M. Walsh. **Underwriter**—Van Alstyne, Noel & Co., New York. No general public offer is planned.

Hilo Electric Light Co., Hilo, Hawaii
March 2 filed 25,000 shares of common stock to be first offered to common stockholders of record March 10 at rate of one new share for each three shares held; then to employees; any unsubscribed shares to be offered to public. **Price**—At par ($20 per share). **Proceeds**—To repay bank loans. **Underwriter**—None.

★ **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.

★ **Idaho Consolidated Mines, Inc., Seattle, Wash.**
March 18 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — To enlarge pilot mill. **Office** — 4109 Arcade Bldg., Seattle 1, Wash. **Underwriter**—None.

● **Independent Plow, Inc., Noedesha, Kan. (4/6-7)**
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.

★ **Inter-Mountain Telephone Co., Bristol, Tenn. (4/9)**
March 20 filed 142,500 shares of common stock-voting (par $10) to be 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.) **Price**—To be supplied by amendment.

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NEW ISSUE CALENDAR

March 27, 1953

Merritt-Chapman & Scott Corp.________Common
(Offering to stockholders—no underwriter)

Mountain States Tel. & Tel. Co.________Common
(Offering to stockholders—no underwriting)

March 30, 1953

Kentucky Utilities Co. ________Common
(Offering to stockholders—underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Son)

National Gas & Oil Corp.________Bonds
(G. H. Walker & Co.)

West Coast Telephone Co. ________Common
(Blyth & Co., Inc.)

March 31, 1953

California Electric Power Co.________Common
(Bids 11:30 a.m. EST)

Denver & Rio Grande Western RR.___Eq. Trust Ctfs.
(Bids noon MST)

Public Service Co. of Oklahoma ________Bonds
(Bids 11 a.m. CST)

April 1, 1953

Allied Chemical & Dye Corp. ________Debentures
(Morgan Stanley & Co.)

Central & South West Corp.________Common
(Offer to stockholders—Bids 11 a.m. CST)

Equitable Insurance Co. (Puerto Rico)__Com. & Pfd.
(Borinquen Associates, Inc.)

Great Western Yearbook, Inc.________Common
(No underwriting)

North Pacific Exploration, Ltd ________Common
(Aetna Securities Corp. and L. D. Friedman & Co., Inc.)

Paley Manufacturing Corp. ________Common
(G. K. Shields & Co.)

Scott & Fetzer Co. ________Common
(McDonald & Co.)

Thalhimer Brothers, Inc.________Common
(Kidder, Peabody & Co.)

United Utilities, Inc. ________Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.)

April 2, 1953

Great Western Uranium Corp. ________Common
(Israel & Co.)

Kerr-McGee Industries, Inc. ________Debentures
(Lehman Brothers and Straus, Blosser & McDowell)

April 6, 1953

Brockton Edison Co. ________Bonds
(Bids 11 a.m. EST)

California Electric Power Co.________Bonds
(Bids 11:30 a.m. EST)

Independent Plow, Inc.________Class A
(Offer to stockholders—Barrett Herrick & Co., Inc.)

April 7, 1953

Florida Power & Light Co.________Bonds
(Bids noon EST)

Kentucky Utilities Co.________Bonds
(Bids 11:30 a.m. CST)

Packard-Bell Co. ________Common
(Paine, Webber, Jackson & Curtis and Shearson, Hammill & Co.)

Southwestern States Telephone Co.________Preferred
(Central Republic Co., Inc.)

April 8, 1953

Fedders-Quigan Corp. ________Preferred
(Offering to stockholders—underwritten by Allen & Co.)

Jewel Tea Co., Inc.________Common
(Offering to stockholders—underwritten by Lehman Brothers and Goldman, Sachs & Co.)

Middle South Utilities Inc.________Common
(Offering to stockholders—no underwriting)

April 9, 1953

Detroit Stamping Co.________Common
(White, Nobel & Co.)

East Tennessee Natural Gas Co.________Debentures
(Offering to stockholders—underwritten by White, Weld & Co. and associates)

Inter-Mountain Telephone Co.________Common
(Offering to stockholders—underwritten in part by Courts & Co.)

April 10, 1953

Emerson Electric Mfg. Co.________Common
(Offering to stockholders—no underwriting)

April 13, 1953

Texas Electric Service Co.______Bonds & Preferred
(Bids 11:30 a.m. EST)

April 14, 1953

Clevite Corp.________Common
(F. Eberstadt & Co. Inc. and Prescott, Shepard & Co., Inc.)

Jersey Central Power & Light Co.________Bonds
(Bids to be invited)

Lorillard (P.) Co.________Debentures
(Lehman Brothers and Smith, Barney & Co.)

Lorillard (P.) Co.________Common
(Offering to stockholders—underwritten by Lehman Brothers and Smith, Barney & Co.)

New Orleans Public Service Inc.________Bonds
(Bids noon EST)

Second National Bank of Philadelphia____Common
(Offering to stockholders)

April 15, 1953

Ekco Products Co.________Debentures
(Union Securities Corp.)

Flock Gas & Oil Corp., Ltd.________Common
(Peter Morgan & Co.)

Grand Bahama Co., Ltd.________Debentures
(Gearhart & Otis, Inc.)

Southern Co.________Common
(Bids 11:30 a.m. EST)

Texas-New Mexico Ry.________Equip. Trust Ctfs.
(Bids noon EST)

April 16, 1953

Oklahoma Gas & Electric Co.________Common
(Offering to stockholders—underwritten by Merrill Lynch, Pierce, Fenner & Beane)

April 21, 1953

Blackstone Valley Gas & Electric Co.________Bonds
(Bids 11 a.m. EST)

Louisiana Power & Light Co.________Preferred
(Bids noon EST)

April 24, 1953

Aluminium Ltd.________Common
(Probably First Boston Corp. and A. E. Ames & Co., Ltd.)

April 28, 1953

Detroit Edison Co.________Bonds
(Bids to be invited)

May 5, 1953

Montana Power Co.________Debentures
(Bids to be invited)

Southern Bell Telephone & Telegraph Co.____Debs.
(Bids to be invited)

May 12, 1953

Alabama Power Co.________Bonds
(Bids 11 a.m. EDT)

May 19, 1953

Texas Power & Light Co.______Bonds & Preferred
(Bids 11:30 a.m. EDT)

May 26, 1953

Consolidated Natural Gas Co.________Debentures
(Bids 11:30 a.m. EDT)

June 2, 1953

Texas Utilities Co.________Common

June 9, 1953

Gulf Power Co.________Bonds
(Bids 11 a.m. EDT)

June 23, 1953

New York Telephone Co.________Bonds
(Bids to be invited)

Continued from page 49

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.

Ispetrol Corp., New York
Oct. 29 filed 49,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To finance purchase of crude oil for Israeli enterprises and to purchase crude oil and oil products for resale in Israel. **Underwriter**—Israel Securities Corp., New York.

Israel Industrial & Mineral Development Corp.
Oct. 6 filed 30,000 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For industrial and mineral development of Israel. **Underwriter** — Israel Securities Corp., New York.

Israel Overseas Corp. of New York
Feb. 17 filed 16,000 shares of capital stock par $1 and $3,400,000 of 20-year debentures to be offered in units of eight shares of stock and $1,700 principal amount of debentures. **Price**—$2,500 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Jefferson Lake Sulphur Co., New Orleans, La.
March 2 (letter of notification) 1,700 shares of common stock (par $1). **Price**—At market (approx. $21.37½ per share). **Proceeds**—To F. Lloyd Monroe, the selling stockholder. **Underwriter** — None, but James E. Bennett & Co., Chicago and New York, will act as agent.

● **Jersey Central Power & Light Co. (4/14)**
March 16 filed $8,500,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Equitable Securities Corp.; The First Boston Corp.; Salomon Bros. & Hutzler; Glore, Forgan & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received April 14.

Jewel Tea Co., Inc. (4/8)
March 17 filed 141,757 shares of common stock (par $1) to be offered for subscription by common stockholders of record April 8 at rate of one new share for each eight shares held; rights to expire April 23. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

Junction City (Kan.) Telephone Co.
March 3 (letter of notification) $206,000 of 4½% first mortgage bonds, series A, due Feb. 1, 1977. **Price**—100% and accrued interest. **Proceeds**—For general corporate purposes. **Underwriter**—Wachob-Bender Corp., Omaha, Nebraska.

Kentucky Utilities Co. (3/30)
March 9 filed 208,057 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 20 at the rate of one new share for each 10 shares held; rights to expire on April 13. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—Blyth & Co., Inc., New York; J. J. B. Hilliard & Son, Louisville, Ky.

Kentucky Utilities Co. (4/7)
March 9 filed $10,000,000 first mortgage bonds, series E. due April 1, 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Equitable Securities Corp. **Bids**—To be received up to 11:30 a.m. (CST) on April 7 at 20 No. Wacker Drive, Chicago 6, Ill.

● **Kerr-McGee Industries, Inc. (4/2)**
March 11 filed $10,000,000 of 4½% convertible subordinated debentures due April 1, 1968. Price—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriters**—Lehman Brothers, New York; and Straus, Blosser & McDowell, Chicago, Ill.

★ **Kost Multiple X, Inc., Portland, Ore.**
March 13 (letter of notification) 50,192 shares of common stock (par 10 cents) to be offered in exchange, share for share, for stock presently outstanding. **Underwriter**—None.

Lenoir Finance Co., Lenoir, N. C.
March 13 (letter of notification) $150,000 of 6% convertible subordinated debentures and 4,000 shares of common stock (par $10). **Price**—At principal amount (in denominations of $25 each) for debentures; and $20 per share for stock. **Proceeds** — For working capital. **Underwriter**—McCarley & Co., Inc., Asheville, N. C.; McDaniel Lewis & Co., Greensboro, N. C.; Interstate Securities Corp., Charlotte, N. C.

★ **Lorillard (P.) Co. (4/14)**
March 25 filed $22,500,000 of 25-year debentures due April 1, 1978. **Price** — To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—Lehman Brothers and Smith, Barney & Co., both of New York.

★ **Lorillard (P.) Co. (4/14)**
March 25 filed 356,573 shares of common stock (par $10) to be offered for subscription by present stockholders on basis of one new share for each seven shares held. Warrants are expected to be mailed about the middle of April. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters**—Lehman Brothers and Smith, Barney & Co., both of New York.

★ **Louisiana Power & Light Co. (4/21)**
March 19 filed 60,000 shares of cumulative preferred stock (par $100). **Proceeds**—To retire 59,422 shares of $6 preferred stock presently outstanding. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Equitable Securities Corp. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp. **Bids**—Expected at noon (EST) on April 21.

★ **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.

★ **Marsh Foodliners, Inc., Yorktown, Ind.**
March 16 (letter of notification) $300,000 of collateral trust sinking fund convertible 5½% debentures and 24,000 shares of common stock (no par value) to be reserved for conversion of debentures. **Price**—At par (in denominations of $1,000 and $500). **Proceeds**—For working capital. **Office**—Deport St., Yorktown, Ind. **Underwriter**—City Securities Corp., Indianapolis, Ind.

Mathieson Chemical Corp., Baltimore, Md.
March 6 filed 350,000 shares of common stock (par $5) to be offered under the company's "Restricted Stock Option Plan to Certain Officers and Other Key Employees" of the company and its subsidiaries. **Proceeds**—For general corporate purposes. **Underwriter**—None.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

Merritt-Chapman & Scott Corp. (3/27)
March 3 filed 121,322 shares of common stock (par $12.50) to be offered for subscription by common stockholders of record March 27 at rate of one new share for each five shares held; rights to expire on April 14. **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

Mid-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doebler Co., Jersey City, N. J.

★ **Middle South Utilities, Inc. (4/8)**
March 20 filed 475,000 shares of common stock (no par) to be 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**—To be supplied by amendment (to be fixed April 7). **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 investments. **Underwriter**—None.

Mountain States Tel. & Tel. Co. (3/27)
March 6 filed 390,931 shares of common stock to be offered for subscription by common stockholders of record March 27 at rate of one new share for each four shares held; rights to expire April 29. American Telephone & Telegraph Co. (parent) now owns 1,351,203 shares (86.41%) of presently outstanding capital stock. **Price**—At par ($100 per share). **Proceeds**—For property additions and improvements. **Underwriter**—None.

★ **Mutual Fund of Boston, Inc., Boston, Mass.**
March 23 filed 10,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Russell, Berg & Co., Boston, Mass.

National Gas & Oil Corp. (3/30)
March 5 filed $1,650,000 first mortgage bonds due March 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—To redeem $1,349,000 of 4½% debentures (outstanding Feb. 28, 1953), to repay $135,000 bank loans and for working capital. **Underwriter**—G. H. Walker & Co., New York and Providence (R. I.)

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.

★ **Natural Resources Fund, Inc., New York**
March 23 filed 1,872,704 shares of capital stock. **Price**—At market. **Proceeds** — For investment. **Underwriter**—Frank L. Valenta & Co., Inc., New York.

New Orleans Public Service Inc. (4/14)
March 12 filed $6,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Bids**—To be received up to noon (EST) on April 14.

North Pacific Exploration, Ltd. (Canada) (4/1)
Feb. 4 filed 1,375,000 shares of capital stock (par 25 cents Canadian). **Price**—$1 per share (U. S. funds). **Proceeds**—For exploration costs. **Underwriters**—Aetna Securities Corp. and L. D. Friedman & Co., Inc., both of New York.

Northland Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20 cents—Canadian) and subscription warrants for 600,000 shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. **Price**—$52 per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York. Financing may be revised.

★ **Oklahoma Gas & Electric Co. (4/16)**
March 19 filed 241,195 shares of common stock (par $10) to be offered for subscription by common stockholders of record about April 16 at rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on May 5. **Price** — To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Overland Oil, Inc., Denver, Colo.
Dec. 23 filed 300,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—To make geological survey of land. **Business**—Oil and gas exploration. **Underwriter**—None.

Pacific Western Stores, Inc., Los Angeles, Calif.
March 2 (letter of notification) 8,802 shares of preferred stock (par $10) and 8,700 shares of common stock (par 5 cents). **Price**—For preferred, $7 per share, and for common, 30 cents per share. **Proceeds**—To Fred Meyers, Charles Flake and Joseph Solomon. **Underwriters**—White & Co., St. Louis, Mo.; Gearhart & Otis, Inc., New York, and Peters, Writer & Christensen, Inc., Denver, Colo. No general public offer planned.

★ **Packard-Bell Co., Los Angeles, Calif. (4/7)**
March 18 filed 100,000 shares of capital stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston and New York; and Shearson, Hammill & Co., New York.

Palestine Economic Corp., New York
March 6 filed 100,000 shares of common stock (par $25). **Price**—$28 per share. **Proceeds** — For development of Israel industry, etc., and for working capital. **Underwriter**—None.

● **Paley Manufacturing Corp. (4/1)**
Jan. 16 (letter of notification) 99,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For expansion and working capital. **Office**—Brooklyn, N. Y. **Underwriter**—G. K. Shields & Co., New York.

★ **Paradise Golf Properties, Inc., Phoenix, Ariz.**
March 20 (letter of notification) 3,000 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—To develop golf course. **Office**—703 Heard Bldg., Phoenix, Ariz. **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.

Peninsular Telephone Co., Tampa, Fla.
Feb. 27 filed 73,241 shares of common stock (no par) being offered for subscription by common stockholders at rate of one new share for each five shares held as of March 18; rights to expire April 1. Certain officers and employees will be entitled to purchase unsubscribed shares. **Price**—$40 per share. **Proceeds**—For construction program. **Underwriter** — Morgan Stanley & Co. and Coggeshall & Hicks, both of New York.

★ **Pennant Drilling Co., Inc., Denver, Colo.**
March 17 (letter of notification) 10,000 shares of common stock (par $1). **Price**—At market (approximately $1.30 per share). **Proceeds** — To Morris Replin, the selling stockholder. **Office** — 622 First National Bank Bldg., Denver, Colo. **Underwriter**—Franklin M. Vess.

Peruvian Oil Concessions Co., Inc., Dover, Del.
Jan. 16 filed 9,000,000 shares of common stock (par $1). **Price**—$1.10 per share. **Proceeds**—For general corporate purposes. **Business**—Plans to produce and sell petroleum and its products from lands to be held under concession from the Peruvian Government. **Underwriter**—None.

Phillips Packing Co., Inc.
Feb. 2 (letter of notification) 3,000 shares of common stock (no par). **Price**—At market (approximately $6 per share). **Proceeds**—To Theodore Phillips, the selling stockholder. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

Pioneer Telephone Co., Waconia, Minn.
March 10 (letter of notification) 3,000 shares of 5½% cumulative preferred stock, series C. **Price**—At par ($100 per share). **Proceeds**—For additions and improvements. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Public Service Co. of Oklahoma (3/31)
March 9 filed $6,000,000 of first mortgage bonds due March 1, 1983. **Proceeds**—For property additions and improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; White, Welt & Co. and Shields & Co. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Secu-

rities Corp. (jointly). **Bids**—To be received up to 11 a.m. (CST) on March 31 at 20 N. Wacker Drive, Chicago 6, Ill.

Resort Airlines, Inc., Miami, Fla.
March 6 (letter of notification) 724,687 shares of common stock (par 10 cents) to be offered for subscription by stockholders on a pro rata basis. **Price**—20 cents per share. **Proceeds**—For working capital. **Address**—Box 242, International Airport, Miami 48, Fla. **Underwriter**—None.

★ **Rokeach (I.) & Sons, Inc., N. Y.**
March 17 (letter of notification) $236,454 of convertible 5½% subordinated debentures due June 30, 1958 (convertible into class B common stock, par $5, on basis of $7 per share). **Price**—90% of principal amount. **Proceeds**—For working capital. **Office**—79 Madison Ave., New York 16, N. Y. **Underwriter**—None.

● **Rocky Mountain Oil Corp., Denver, Colo.**
March 4 (letter of notification) 237,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter**—Steele & Co., New York. **Offering**—Now being made.

Scott & Fetzer Co., Cleveland, Ohio (4/1)
March 10 filed 64,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To five selling stockholders. **Underwriter**—McDonald & Co., Cleveland, O.

Security Oil Co., Denver, Colo.
March 5 (letter of notification) $250,000 of series A 1953, five-year 10% debenture bonds. **Price**—At par (in denominations of $25 and multiples thereof). **Proceeds**—To drill wells. **Office**—501 Empire Bldg., Denver, Colo. **Underwriter**—Underwriters, Inc., Denver, Colo.

Seiberling Rubber Co., Barberton, Ohio
Feb. 19 (letter of notification) 15,420 shares of common stock (par $1) to be offered in exchange for 7,710 shares of common stock of Seiberling Rubber Co., Ltd. (Canada) on the basis of two shares of the Ohio firm for each share of the Canadian company. The offer will expire on March 23. **Underwriter**—None.

★ **Shareholders' Trust of Boston**
March 23 filed 10,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Harriman Ripley & Co., Inc., Boston, Mass.

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.

★ **Sorenson & Co., Stamford, Conn.**
March 18 (letter of notification) $200,000 of 5-year 7% debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital. **Office**—375 Fairfield Ave., Stamford, Conn. **Underwriter**—None.

Southern Co. (4/15)
March 13 filed 1,004,869 shares of common stock (par $5) to be offered to common stockholders of record April 16 on the basis of one new share for each 17 shares held (with an oversubscription privilege); rights to expire on May 7. **Price**—Expected to be named by the company on April 13. **Proceeds**—To increase investments in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Equitable Securities Corp. and Union Securities Corp. (jointly); The First Boston Corp.; Lehman Brothers; Morgan Stanley & Co.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Tentatively expected to be received at 11:30 a.m. (EST) on April 15 at 20 Pine St., New York 5, N. Y.

Southern Indiana Gas & Electric Co.
March 3 filed 114,167 shares of common stock (no par) to be offered for subscription by common stockholders of record March 25 at rate of one new share for each six shares held; rights to expire on April 10. **Price**—$24.50 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — Smith, Barney & Co., New York.

● **Southwestern States Telephone Co. (4/7)**
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.

★ **Sunbeam Oil Co., Brush, Colo.**
March 19 (letter of notification) 100,000 shares of capital stock (par $1). **Price**—$3 per share. **Proceeds**—For oil and gas lease interests and working capital. **Underwriter**—J. W. Hicks & Co., Inc., Denver, Colo.

★ **Texas Anadarko Oil Corp., N. Y.**
March 16 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds**—To acquire leases. **Office**—220 East 42nd St., New York, N. Y. **Underwriter**—R. V. Klein Co., New York. **Offering**—Being made today.

Texas Electric Service Co. (4/13)
March 9 filed $7,000,000 of first mortgage bonds due 1983 and 100,000 shares of cumulative preferred stock (no par). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For stock, Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co.; Union Securities Corp.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. (2) For bonds, Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Union Securities Corp.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on April 13.

★ **Texas Fund, Inc., Houston, Tex.**
March 23 filed 2,000,000 shares of common stock. **Price**—At market. **Proceeds** — For investment. **Underwriter**—Bradschamp & Co., Houston, Tex.

Texas Oil Exploration Co., Ft. Worth, Tex.
Dec. 5 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To drill oil and gas wells and for acquisition of properties. **Underwriter**—Peter W. Spiess Co., New York

Texas Western Oil Co., Houston, Tex.
Nov. 12 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For working capital. **Office**—1 Main St., Houston, Tex. **Underwriter** — Scott, Khoury & Co., Inc., New York. **Offering**—Date not set.

Textron Incorporated, Providence, R. I.
March 9 (letter of notification) 10,000 shares of $1.25 convertible preferred stock (no par). **Price**—At market (approximately $17 per share). **Proceeds**—For general corporate purposes. **Underwriter**—Blair, Rollins & Co., Inc., New York City. This is not a new offering. No general public offer is planned.

Thalhimer Brothers, Inc., Richmond, Va. (4/1)
March 12 filed 101,500 shares of common stock (par $5), of which 99,000 shares are to be offered by the company and 2,500 shares by a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York.

★ **United Finance Corp., Phoenix, Ariz.**
March 18 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To conduct loan business. **Office**—7 Weldon, Phoenix, Ariz. **Underwriter**—None.

United Minerals Corp., Salt Lake City, Utah
March 13 (letter of notification) 250,000 shares of 5% cumulative convertible preferred stock (par $1) to be offered in 5,000 units, each unit to consist of 50 shares of this stock and 50 shares of United Sulphur & Chemical Co., Inc. **Price**—$50 per unit. **Proceeds**—For erection of sulphur plant. **Office**—518 Felt Bldg., Salt Lake City 1, Utah. **Underwriter**—Greenfield & Co., Inc., New York.

United Sulphur & Chemical Co., Inc.
March 13 (letter of notification) 250,000 shares of common stock (par 10 cents) to be issued as a bonus in connection with offering of 250,000 shares of preferred stock of United Minerals Corp. and to be offered in units, each unit to consist of 50 shares of preferred stock of United Minerals and 50 shares of common stock of United Sulphur. (See also United Minerals Corp. above.)

United Telephone Co., Bellefontaine, Ohio
March 12 (letter of notification) 2,500 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds** — For plant expansion. **Office** — 127 No. Main St., Bellefontaine, Ohio. **Underwriter**—None.

United Utilities, Inc., Abilene, Kan. (4/1)
March 10 filed 319,122 shares of common stock (par $10) to be offered for subscription by common stockholders of record on or about March 31 at the rate of one new share for each 2½ shares held; rights to expire on April 14. **Price**—To be supplied by amendment. **Proceeds**—To acquire a two-thirds stock interest in Investors Telephone Co. **Underwriter**—Kidder, Peabody & Co., New York.

Vault Co. of America, Davenport, Iowa
March 2 (letter of notification) 10,000 shares of common stock. **Price** — $10 per share. **Proceeds** — For working capital. **Underwriter**—A. J. Boldt & Co., Davenport, Ia.

Victoreen Instrument Co.
Feb. 12 (letter of notification) 15,000 shares of common stock (par $1). **Price**—At market (approximately $5.25 per share). **Proceeds**—To E. A. Benson and R. F. Shima, the two selling stockholders. **Underwriter**—Barrett Herrick & Co., Inc., New York.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Telephone Co. (3/30)
March 9 filed 50,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Westinghouse Electric Corp.
Feb. 27 filed 200,000 shares of common stock (par $12.50) to be offered under "Employee Stock Plan" to Employees of corporation and six subsidiaries, and 498,735 shares of common stock to be offered under "Restricted Stock Option Plan" to certain officers and other executive employees of corporation and its subsidiaries.

★ **Winchester Industries, Inc. (Va.)**
March 20 (letter of notification) 75,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For working capital. **Office**—36 River Edge Road, River Edge, N. J. **Underwriter**—None.

Young (Thomas) Orchids, Inc.
March 10 (letter of notification) 3,300 shares of common stock (par $1). **Price**—At market (about $33 per share). **Proceeds**—To John W. Hanes, and Hope Y. Hanes. **Underwriter**—None, but Smith, Barney & Co., New York, and Newhard, Cook & Co., St. Louis, Mo., will act as brokers.

Prospective Offerings

Agricultural Insurance Co.
March 2 it was reported company may offer rights to its stockholders to subscribe for 100,000 additional shares of capital stock (par $10) on a 1-for-3 basis. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Expected in April or May.

Alabama Power Co. (5/12)
Jan. 28 it was reported company plans issuance and sale of $18,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co., Inc. **Registration**—Planned for April 10. **Bids**—Tentatively expected at 11 a.m. (EDT) on May 12.

● **Aluminium Ltd. (4/24)**
March 19 it was announced that company plans to offer to its common stockholders of record April 24 the right to subscribe on or before May 15 for 818,657 additional shares of common stock at the rate of one new share for each 10 shares held. **Price**—Not to exceed $37.50. (Canadian) per share. **Proceeds**—For expansion program. **Underwriters**—The First Boston Corp., and A. E. Ames & Co., Ltd., acted as dealer-managers in October, 1951, stock offering to stockholders.

Arkansas Power & Light Co.
Feb. 2 it was announced company may issue and sell, probably in June, 1953, about $18,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co., Blyth & Co. Inc., Equitable Securities Corp. and Central Republic Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

★ **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.

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Atlantic Refining Co.
March 16 it was stated that the company may be in the market later this year with a sizable debt issue. The exact nature and timing of the financing are still to be determined. Stockholders will vote May 5 on increasing authorized debt to $150,000,000. **Proceeds**—To be used to help pay for a $100,000,000 construction program for 1953. **Underwriters**—Smith, Barney & Co. may head group.

Central Foundry Co.
March 16 directors voted to offer rights to present preferred and common stockholders to subscribe for additional common stock in the ratio of one share of common stock for each four shares of either common or preferred stock held. **Underwriter**—To be named later. 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 Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of 1st & gen. mtge. bonds sold March 10, 1953), after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Central Power & Light Co.
March 2 it was reported company may issue and sell 50,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

Chicago Great Western Ry.
March 17 company asked ICC permission to issue and sell $6,000,000 collateral trust bonds due 1978, to be secured by $9,000,000 first mortgage bonds held in the treasury. **Proceeds**—To pay off $3,000,000 of notes and for working capital. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

Cinerama Productions Corp.
Jan. 9 it was reported company plans issuance and sale of about 500,000 shares of common stock. **Price**—Expected to be around $10 per share. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Postponed.

Columbia Gas System, Inc., N. Y.
Oct. 10 it was announced company plans to issue and sell common stock (probably sufficient to raise between $20,000,000 and $25,000,000) and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Commonwealth Edison Co.
March 10 company announced that in the next four years it expects to raise about $280,000,000 of new capital to help finance a $500,000,000 construction program during that period. No conclusion has been reached as to the type of securities to be issued or when they will be sold. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and American Securities Corp. (jointly); Glore, Forgan & Co.; The First Boston Corp. (Glore, Forgan & Co. and The First Boston Corp. underwrote an offering of convertible preferred stock to common stockholders last November.)

● **Consolidated Natural Gas Co. (5/26)**
March 13 it was announced company is planning to issue and sell $40,000,000 of debentures due 1978. **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. **Registration**—Tentatively planned for about April 17.

★ **Copeland Refrigeration Corp.**
March 18 it was reported stockholders on March 31, will vote on approving the issuance and sale by the company of 75,000 additional shares of common stock. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

★ **Delaware Power & Light Co.**
March 21 it was announced that the stockholders on April 21 will vote on increasing the authorized preferred stock from 200,000 to 300,000 shares. Stuart Cooper, President, said that the management has no plans for immediate sale of any preferred stock and that it is unlikely any would be issued within the next 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.

Delaware Power & Light Co.
Feb. 24 it was announced stockholders on April 21 will vote on approving a proposal to increase the authorized preferred stock from 200,000 shares to 300,000 shares (par $100). Probable bidders for any new preferred stock financing may include Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. Stuart Cooper, President, said it is possible that common stock may be sold later in the year.

Denver & Rio Grande Western RR. (3/31)
Bids will be received at the office of the company, Rio Grande Bldg., Denver 1, Colo., up to noon (MST) on March 31 for the purchase from it of $3,300,000 equipment trust certificates, series S, to be dated May 1, 1953, and to mature in 30 equal semi-annual instalments of $110,000 each from Nov. 1, 1953, to and including May 1, 1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Detroit Edison Co.
Feb. 9 it was announced company plans to issue an unspecified amount of convertible debentures, which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 will vote on authorizing the new debentures. **Underwriter**—None.

● **Detroit Edison Co. (4/28)**
March 6 company sought permission of the Michigan P. U. Commission to issue and sell $40,000,000 35-year general and refunding mortgage bonds, series M, to carry interest at not to exceed 4%. If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Coffin & Burr, Inc. and Spencer Trask & Co. (jointly). Proceeds would be used to pay for new construction. Registration planned for March 26 with bids expected to be received on April 28.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly). **Bids**—Tentatively expected in April.

★ **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 some preferred stock and debentures (in addition to the offer of 883,882 shares of common stock to common and second preferred stockholders—see a preceding column). **Underwriter**—White, Weld & Co., N. Y.

General Public Utilities Corp.
Feb. 11 it was reported company is planning issuance and sale this summer of additional common stock to common stockholders on a 1-for-15 basis. Merrill, Lynch, Pierce, Fenner & Beane acted as clearing agent in last stock offer.

★ **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.

★ **Gulf Life Insurance Co., Jacksonville, Fla.**
March 20 it was reported E. L. Phillips, Jr., President, and others would sell about 150,000 shares of capital stock 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.
Jan. 16, it was announced company is planning to sell $6,000,000 in common stock in June and a certain amount of first mortgage bonds later in the year. **Proceeds**—For construction program, expected to cost between $26,000,000 and $28,000,000 this year. The exact amount of the bond offering has not yet been determined. **Underwriters**—For common stock to be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Stone & Webster Securities Corp.; Carl M. Loeb, Rhoades & Co.

Helicopter Air Service, Inc., Chicago, Ill.
Feb. 9 it was reported company has applied to the CAB for a certificate of convenience covering service from Detroit to Cleveland, and also in Chicago, where the company is now operating a mail pick-up service in suburban towns. **Underwriter**—May be Cruttenden & Co., Chicago, Ill.

· **High Voltage Engineering Co., Cambridge, Mass.**
Feb. 18 it was reported company plans early registration of $800,000 4%-6% convertible subordinate debentures due 1967 and 20,000 shares of common stock to be offered in units of a $1,000 debenture and 25 shares of common stock. **Price**—$1,000 per unit. **Business**—Company was organized in 1947 to design, develop and manufacture X-ray machines and other equipment. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

● **Long Island Lighting Co.**
Dec. 15 it was announced company has established a bank credit in the amount of $40,300,000 extending to Dec. 1, 1953, to be refinanced by the issuance of new securities. The sale of 100,000 shares of preferred stock (par $100) later this spring will mark the first step in the financing program. **Underwriters**—(1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For preferred stock, may be W. C. Langley & Co. (3) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

● **Louisiana Power & Light Co.**
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.

★ **Mansfield Tire & Rubber Co.**
March 17 it was reported early registration is expected of 200,000 shares of common stock. **Proceeds**—To selling stockholders. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill.

Maremont Automotive Products, Inc.
March 6 it was reported early registration was expected of approximately 210,000 shares of common stock, part for account of company and part for selling stockholders. **Underwriters** — Hallgarten & Co., New York; Straus, Blosser & McDowell, and McCormick & Co., both of Chicago, Ill.

Marion Power Shovel Co.
March 5, John P. Courtright, President, reported that company plans some long-term debenture financing. The proceeds are expected to be used to retire bank loans and to pay preferred dividend arrearages.

Metropolitan Edison Co.
Feb. 11 it was reported company plans to issue and sell in May about $8,000,000 of first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Blyth & Co., Inc.

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.

● **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.

● **Montana Power Co. (5/5)**
March 16 it was reported company may issue and sell an issue of $18,000,000 debentures due 1978. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Blyth & Co., Inc., and Lee Higginson Corp. (jointly); Union Securities Corp. **Bids**—Expected to be opened on May 5. **Registration**—Tentatively planned for about April 2.

New Jersey Power & Light Co.
Feb. 11 it was announced company plans issue and sale of about $5,500,000 first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Union Securities Corp. and White Weld & Co. (jointly); The First Boston Corp. and Kid-

der, Peabody & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Equitable Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Offering**—Probably in May or June.

New York State Electric & Gas Corp.
Feb. 27 it was reported that company may, later in 1953, issue and sell $20,000,000 first mortgage bonds (following private sale of 75,000 shares of 4.40% preferred stock, par $100, and $5,000,000 of 3¾% debentures due 1991 (latter expected in April). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

New York Telephone Co. (6/23)
Feb. 26 company applied to New York P. S. Commission for permission to issue and sell $35,000,000 of refunding mortgage bonds, series G. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Tentatively scheduled to be received on June 23. **Stock Offering**—Company also plans to issue and sell to American Telephone & Telegraph Co., its parent, 700,000 additional shares of common stock (par $100).

Northern Indiana Public Service Co.
Jan. 7 it was announced that company plans to issue and sell an additional $23,000,000 of new securities in the near future (in addition to 80,000 shares of cumulative preferred stock recently offered). **Proceeds**—For new construction.

Northern Natural Gas Co.
Feb. 27 it was announced company has informed the Nebraska State Railway Commission that it proposes to make an offering of 548,100 additional shares of common stock (par $10) to its common stockholders on the basis of one new share for each five shares held. **Proceeds**—To repay short-term loans and for new construction. **Underwriter**—None. **Offering**—Expected in May.

Feb. 27, H. H. Siert, Treasurer, announced that following the proposed offering in May of 548,100 shares of common stock to stockholders, the company plans to issue and sell $40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co (jointly).

★ **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.

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.
Feb. 11 it was reported company plans to issue and sell in June about $12,500,000 first mortgage bonds due 1983 and a like amount later on. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Kuhn, Loeb & Co.; Kidder, Peabody Co.; The First Boston Corp.; Equitable Securities Corp.

● **Pennsylvania Power & Light Co.**
March 24 it was announced company has received Pennsylvania P. U. Commission approval to issue and sell privately $25,000,000 1st mortgage 3½% bonds, due 1983.

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.

★ **Philadelphia Electric Co.**
March 24 it was announced that company plans to file shortly with the SEC a registration statement covering $30,000,000 of bonds and $15,000,000 of preferred stock. **Underwriters**—Previous bond financing was handled by Drexel & Co. and Morgan Stanley & Co., while Morgan Stanley & Co. handled last preferred stock offering.

Public Service Co. of Indiana, Inc.
March 2 it was announced company plans in May or June to issue and sell 600,000 shares of new cumulative preferred stock (par $25), subject to approval of an increase in authorized capitalization. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

Public Service Co. of New Hampshire
Nov. 3 it was announced company plans to issue and sell approximately $5,000,000 of bonds in May or June, 1953, and in the latter part of 1953 to issue sufficient common shares to raise about $4,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co. For stock, Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

Public Service Co. of Oklahoma
March 2 it was reported company may issue and sell 40,000 shares of new preferred stock (par $100). **Underwriters**—To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co.; Smith, Barney & 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.

Seaboard Finance Co., Los Angeles, Calif.
Feb. 9, Paul A. Appleby, President, announced plans for offering an issue of non-convertible preferred stock (no par). **Proceeds** — For working capital and expansion. **Underwriter**—The First Boston Corp.

★ **Second National Bank of Philadelphia (4/14)**
March 25 it was announced company plans to offer to its stockholders of record April 14 the 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.

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 Bell Telephone & Telegraph Co. (5/5)**
March 23, F. J. Turner, President, revealed that the company plans to issue and sell $30,000,000 of 24-year debentures to mature May 1, 1977. **Proceeds**—For additions and improvements to property. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.

Southern California Edison Co.
March 11, William C. Mullendore, President, stated that company is considering selling $25,000,000 of first mortgage bonds and $15,000,000 of preferred stock. **Proceeds**—For 1953 construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. Probable bidders for preferred: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly).

Southern Natural Gas Co.
Feb. 27 it was reported that approximately $30,000,000 of first mortgage bonds will be publicly offered, probably in June. This is in addition to an additional $30,000,000 to be raised through sale of stock or bank loans. Proceeds will be used for new construction. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp., Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). Any stock financing may be via stockholders.

Southwestern Gas & Electric Co.
Feb. 25 it was reported company later this year may issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters** — May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co.; Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

Texas Illinois Natural Gas Pipeline Co.
Feb. 24 it was announced that company will issue and sell bonds and common stock in the ratio of 75% and 25%, respectively. It is anticipated that Peoples Gas Light & Coke Co. will subscribe for about 67% of the common stock and for any additional shares not subscribed for by other stockholders or their assignees. Proceeds would be used for expansion program.

Texas-New Mexico Ry. (4/15)
Bids will be received by the company up to noon (EST) on April 15 for the purchase from it of $960,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Texas Power & Light Co. (5/19)
Feb. 26 it was reported company may sell about $5,000,000 of first mortgage bonds. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Union Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly); White, Weld & Co.; Lehman Brothers; Salomon Bros. & Hutzler. **Bids**—Tentatively expected to be received up to 11:30 a.m. (EDT) on May 19.

Texas Power & Light Co. (5/19)
Feb. 26 it was reported company is planning issue and sale of $7,000,000 of cumulative preferred stock. **Proceeds**—For additions and improvements. **Underwriter**—May be determined by competitive bidding. Probable bidders: Union Securities Corp., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co.; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on May 19.

● **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.**
March 20 it was announced stockholders will vote April 21 on increasing the authorized common stock from 5,000,000 to 7,500,000 shares and 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.

Union Wire Rope Corp.
March 6 it was announced that, following proposed two-for-one split-up of the common stock to be voted upon March 24, company plans to sell 100,000 additional shares of common stock, part to stockholders and part privately. **Underwriter**—Probably P. W. Brooks & Co., Inc., New York.

United Gas Corp.
Feb. 11 it was reported company may issue and sell in 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).

Washington Water Power Co.
Dec. 3 it was reported company may issue and sell in June, 1953, $10,000,000 of first mortgage bonds and between $14,000,000 and $18,000,000 of debentures. If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Lehman Brothers (jointly); Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly).

West Texas Utilities Co.
March 2 it was reported that company plans issuance and sale of 100,000 shares of new preferred stock. **Underwriters** — May be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Harriman Ripley & Co., Inc.; Union Securities Corp.

★ **Western Light & Telephone Co., Inc.**
March 18 it was announced that company proposes 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 additional shares will be issued only as funds are needed. **Underwriter**—Harris, Hall & Co., Inc., Chicago, Ill.

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Inflation or Deflation Ahead Now?

textile industry. So the problem goes right down, of course, to the man in the street.

The entire population knows that we have a fifty-five cent dollar, in terms of 1939; what is not realized is that in terms of 1920 we have a seventy-five cent dollar. Between the 1920's and the 1940's there was a long rise in the dollar's value, and it was not until 1946 and another war that prices re-attained their level of post-World War I.

By this chart, going back to 1800, we see that war has been the main cause of inflation all the way back to the Revolutionary War. Prices reached half-century peaks during the War of 1812 and the Civil War. As you see, the first peak we have charted is that at the time of the War of 1812, after which there was a long and deep decline. It wasn't until the time of the Civil War that prices got anywhere near where they had been during the War of 1812. The War of 1812 peak was only surpassed by the period following World War I, which again, after a long intervening period of time, was not surpassed until after World War II, in 1946. In other words, inflation distinctly is not a one-way street! This chart, rough as it is, may give us the proper perspective to recognize the error in assuming that this inflationary rise of the last 10 years, of which everyone has become so conscious, is something new and that *per se* it represents a new one-way trend. It may be or it may not; but at least we can see the dual possibilities from this perspective.

Again, from the time of pre-Korea of June, 1950, wholesale commodity prices rose from 152, with 1926 being 100, to a peak of 210 in January, 1951, then fell in the following 12 months to 183, and now, from January, 1952, to February, 1953, a further drop to 161. In other words, within two years, wholesale commodity prices have fallen from 210 to 161, a drop of 20%.

Summarizing the factors causing our own inflationary situation of 1941 to 1952, I would remind you that they were chiefly the following. The rising expenditures by the government, of course, which seeped down to individuals and business firms was made possible through huge increases in the public debt, mostly planted in the commercial banks; that, naturally, had the effect of a greatly increased money supply and purchasing power all around: partly used, partly unused, and partly still available.

Everybody Rides the Escalator

It was accentuated by what I would call cost-plus, or price push, factors, as the escalator increase arrangements, with more and more of the population getting on the escalator in one way or another. As you know, it was seriously proposed by many, including the eminent Professor Slichter, of Harvard, to put savings bond holders, E bond holders, on the escalator by giving them a sliding scale of repayment according to the value—appreciated or depreciated — of the dollar. This would have added on another 50,000,000 people, insofar as they weren't duplicated in other categories, onto the escalator. But even without that, we've had a great part of the population on the escalator in one way or another; and on this cost-push arrangement, you have the agricultural price supports, which was again a kind of escalator in keeping one politically powerful group protected against price rises in other sectors of the economy.

The wartime expansion took place through a five-fold increase in Federal debt; a multiple growth of Federal Reserve credit, which of course is the basis of bank expansion; a four-fold increase in government security holdings by the banks, with relatively negligible new financing extended for civilian needs at the time; an enormous increase in deposits or money and liquid assets for the public's spending amounting to $70,000,000,000, which were not real savings, but more or less manufactured printing press type of purchasing power, which was created by the banking system's absorption of government debt.

A similar recent pattern has existed in European countries. There was a big post-Korea outbreak inflation spurt in most countries: a 40% rise between 1950 and 1951 in France and Sweden; Italy and Switzerland had the smallest rise of approximately 15%. Since the beginning of 1952, inflationary pressures have subsided to a great extent abroad, and prices have been gradually falling throughout nearly all countries. In 14 months, since December, 1951, just to give you a bird's-eye view of the world commodity situation, wheat, as expressed in dollars on the New York market, has fallen 8½%, cotton 24%, sugar 30%, rubber 41%, and zinc 62% from the black market price of zinc. The others are from the official prices, all accompanied, if not caused, by a reversion to orthodox monetary policy.

So there has been a start, certainly a good start, on the deflationary swing, already. But such inflationary lulls have occurred before. Even in Germany, in 1920 in the midst of the holocaustic inflation there, which lasted, as you know, until 1923, the value of the mark rallied by 20%. In this country's wartime inflation in the first World War, prices fell 30 to 40% between 1916 and 1917; and in the long inflationary rise in France, in the 1930's, there was a 20 to 30% reversal in the value of the franc: that is, a fall in prices, or in other words, a counter action lasting for a year or more. But now there are especially strong, permanent inflationary pressures built in, in this country and in other countries. For instance, in this country the great creation of deposit money which I have mentioned.

So here we are on some of the background as to where we are today, showing that inflation is not a one-way street.

Our Immediate Inflationary Factors

Let us at this point summarize the inflation factors and the deflation factors from here on, and then try to get to some conclusions. In the first place, we'll go down the list of the elements which seem to me to be most important in making for inflation, from this point on. First, and foremost, the possible imminent stepping up of the Cold War, arising from the Malenkov deed for putting on a show abroad, taking on Stalin's unique mantle in solidifying his domestic following at home. Anyone visiting Russia, as you've been told I have, would be impressed by not only the propaganda line to the neutral countries, but what is hammered into the man on the street by the Russion Government — even under Stalin, who was in a much stronger position, of course then Malenkov—and which the man in the street really believes, namely the fear of the foreigner. They really believe, because they've been told to believe, that we are the aggressors. Every American landing in Moscow is looked on as a capitalist with an atomic bomb in his brief case. That is played up as the defensive strategy against the aggressor, the old German idea, the Hitler idea, and the Kaiser idea of fighting to defend the Fatherland. I think there is a real possibility of a diversionary show — not a shooting war but a continual show—abroad for the benefit of the home population, to solidify them at home. I think we have seen a start of this in the shooting down of the American plane by the Czechs, and of the British plane on Wednesday, which seems to me part of the same thing. I think it will stop short of a shooting war. I think that the new rulers have too much sense not to realize, just as Stalin did, that they haven't a chance of winning a shooting war. Of course, we are stronger now than we were then.

Also, from our point of view, it seems to me that an inflationary factor is the new Eisenhower policy of getting away from containment and into a greater aggressiveness. In this shifting of balance from the Kremlin to Eisenhower, there will probably be a maintenance or stepping up of our armament, which is what we are concerned with here tonight in talking about inflation and its effect upon the budget. This, I would like to say, I consider as strictly a short-term proposition, because it will bring a decision. The long truce is a short-term proposition, I think, in its effect on armament; but is is a definitely inflationary element over the short-term.

Difficulties in Balancing the Budget

The second inflationary factor that we have—and we realize it more and more every day since Jan. 20, or possibly since November, when Mr. Joseph Dodge came in as the new Director of the Budget—is the evident difficulty of balancing the budget. In the first place, there is the Truman budget for 1953 and 1954, with a $10,000,000,000 deficit—the difference, roughly, between $69,000,000,000 and $79,000,000,000 — which it seems very difficult to cut down in a hurry, particularly as so much of it is made up of military defenses, which many of us believe that Eisenhower will cut, but not so quickly as has been said. In that budget, also, are a number of untouchable items, such as $7,500,000,000 for foreign aid, which seems to be difficult to reduce in a hurry, $4,500,000,000 for veterans, and the amount of interest on the public debt. In connection with the budget situation there is also the deficit situation, and another element of difficulty there is the repeal dates of various so-called temporary tax increases. Not only the individual income tax, and also the excess profits tax, and other taxes of a so-called temporary nature which will automatically expire, and many of us including myself think they ought to expire. We're now talking about the effect on the deficit.

There is great difficulty, of course, in getting Congress to use the ax on expenses. I happened to be at a small informal luncheon with the Senator who wants, I think, more than any other except Byrd to do this, the other day. And, even for a Republican Senator when a Republican Senate is in the saddle, it seems to be terribly difficult politically to withstand the political pressure groups and get the hatchet out in a hurry, short of an arbitrary across-the-board cut, which at this point President Eisenhower, possibly wisely, doesn't want. There is also the $80,000,000,000 of what has been called "fiscal hangover": that is appropriation still unexpended and due to be spent in the next few years. This has been thought of as sacrosanct in the past, but President Eisenhower, Budget Director Dodge, and the Congress are going to try to cancel in part. It certainly adds, however, to the difficulty of doing anything in the near future in cutting down expenses.

Commitments, Controls, Media

Third, there are the new Administration expansionist commitments of various kinds, toward such things as broadened social security benefits, aid to education, public health, to some of which even Senator Taft is committed. Fourth on the inflationary line, I must mention the lifting of controls. In my view this is only a very minor influence; because controls, even under a Republican Administration, do not get lifted until they are no longer needed. The current lifting of controls, outside of a few isolated items like cigarettes, as being accompanied by a general price slide. I don't think controls are taken off, unfortunately, unless they are not otherwise needed. So I do not thing that the lifting of controls is a very important inflationary element, but it is slightly inflationary.

Fifth, there are the built-in inflationary media, as I mentioned, the $70,000,000,000 of available non-saved purchasing power, which was created by the commercial banking system. A lot of inflated purchasing power is still what we call built-in, and still available to fan the flames of an inflationary move if it should be re-started.

Sixth, and possibly the most important of all, in my opinion, is the motivation of cold practical politics, which I believe is really the controlling long-term inflationary factor. No administration in any democratic country wanting to be re-elected in this modern age can stand for a major depression and deflation. Mr. Hoover still is exploited as a political epithet. We have the political sacrosanctity of full employment which is now in the law. Even Eisenhower insisted on continuing the Council of Economic Advisers—under a revised and improved direction, of course, but still it gives lip service to the "full employment slogan," which it is political dynamite to oppose, for who can oppose full employment? It's a wonderful slogan, but all that goes with it is distinctly inflationary. Organized labor has its privilege, and Mr. Durkin is still powerful or maintains a power of labor in Washington. All of which continue the bedrock and stimuli to inflation. In England with the conservative Tory government back since October, 1951, even Mr. Churchill hasn't gone very far back in his deflating and restrictive policies, or in abolishing interventionism.

Politics and Resuscitators

And last, to implement the political ends, are what I call inflationary resuscitating weapons, now "in the closet," which can and will be called in at the first sign of depression trouble, such as Public Works and other outlets of definite financing. This is pretty well presaged by the closeness of Eisenhower to his so-called liberal advisers, the large number from the Committee for Economic Development, and others such as Governor Dewey, whose whole thinking is not to let a deflation get started. Of course, whether those weapons are powerful enough to make up for the gap in the rearmament cut-off is another matter. There are also such devices as possible gold devaluation, which wouldn't be called in now but can be used, and/or a free and open gold and silver market.

Deflationary Factors Facing Us

Now what do we see on the other side of the medal? (As I see it, this is the only way to treat this subject, because otherwise you're just making an argument for a prophecy one way o another; you can't gloss over th factors on either side of th fence.) First, on the deflationar side, there is the enormous ga in industrial activity in the eve of an armament cutdown. It's ob vious. Even in a city as well d versified as Cincinnati, you hav your General Electric plant de voted to a great extent to je planes. Thus, in most vicinitie in the country, most industrial ac tivity is geared to armamen either directly or indirectly, to far greater extent. This is not talk on Mr. Stalin, but briefly would say that after the shor period of possible stepping-up th Cold War by these diversionar shows, is over, I believe that ther certainly is a very strong chanc that the effect of the passing o Stalin and his unique position wil be their weakening. Whether it' next month or next year or fiv years, I don't know and no body knows; but it certainly i an element of potential weakness in the so-called Soviet Empire And there certainly is a very gooc chance of there being some splitting in the seams, either in the Satellites or between China and the Kremlin. Two years ago, we were surprised by the Tito defection; even with Stalin, and even up until last week, many people had thought that it was a phony. Tito is just one indication of what can happen. Stalin was the unique leader who had the backing of the people so that he could make mistakes and still remain in power. But his successors can't make mistakes without losing the people's following and entailing dissension within the Palace guard. Certainly there should be a shifting of power from Moscow to Washington.

There is, second, an element of deflation; the Republican economy drive toward an eventual budget balancing, which, as I mentioned, is not of the immediate future, a curtailment of inflationary monetary policies which is and will be immediate, and which is a matter of intent rather than spelling out all the measures. People in the saddle today are definitely committed to a restrictive monetary policy or a return to sound credit or monetary policy. Certainly, we shall be moving in that direction.

Straws in the Wind

There is, third, a general reversal of inflation psychology and a general communal, what I would call *climate* of deflation with growing faith, which we've seen already, in the outlook for the dollar, and which has been accompanied already as we pointed out, by persistently falling prices. I don't know whether we fully realize the general rekindling of faith in the dollar. There aren't any longer all the public wisecracks about the dollar going to nothing, interest rates are rising, sales of E bonds and savings bonds have increased; those things are straws in the wind.

Fourth, very important on the deflationary side, is the nation's productive capacity, with the over-production tendencies in many lines, if not most lines, always present in this country. Our enormous capacity in time of peace is manifested by the chart where the only time in the past when there have been high price peaks and depreciation of the dollar is when they were induced by war time conditions.

Fifth, there is also a decline in exports which has become accelerated since the first of the year, which may become accentuated, particularly if we do cut down on our subsidies abroad.

Sixth, I would mention growing public disapproval of government subsidies. Who knows but what the 50 million pound butter buying program at a grossly uneconomic price may even be liquiated, and this kind of thing outwed?

* * *

The Net Conclusions

Now I'd like to make some conlusions from these two sets of actors on both sides of the fence, s I see them; pointing out the onflicting elements is the only ay I can honestly handle a foreast of this kind. It seems to me hat over the reasonably **nearerm**, the deflationary factors are redominant, and may very well ntail mild price declines with a eturn to monetary stability. It's angerous to say **never**, but I don't hink we will have another post-929, or anything like that because e have too many cushions as ell as too much political motivaion the other way.

Second, the **very long-term**, disinguished from the short-term ounter trend, will be in the direction of a gradually creeping epreciating dollar, in line with orldwide experience.

The third branch to this conclusion is that the stopping of oth inflation and deflation by overnmental measures will lead o an ever greater degree, over he long run, of totalitarianism hrough the imposition of controls.

The Investor and Inflation

The questions are often raised: How can the investor protect himself against inflation? Are common stocks a hedge? If not, what is? Is a stock at any particular period to be bought on the basis of an inflation hedge? At various times in the past and recently I have dug up data in foreign countries showing the comparative changes, country by country, between the cost of living, and prices of bonds and stocks. To give you a summary of what has happened abroad, I would say that the inescapable and definite conclusions are that there has been no historical correlation, first, between rising monetary and credit expansion on the one hand, and commodity prices on the other. Secondly, there has been no close correlation in this country between the general price level and the price of securities. I would remind you what happened, for example, during the stock market boom of 1926-1929, when the stock averages tripled and commodity prices were stable or declined. In 1946-1948, conversely, there was a large, very sharp rise in commodity prices here, and at the same time there was a slightly bear market—a down market, as you know, where the averages declined from 190 to 160 or so. Sometimes they have moved together; more often, they have not. In Europe the citizens' actual use of the equity share to defend themselves from the ravages of inflation have been more successful than it has here, but even there it has only been a partial hedge. For example, I have a table showing the relation in the rise of common stock to the rise in the cost of living between 1938 and 1952. In France, it was about 60%; in the United Kingdom it was only 29%; in other words, the stock buyer only achieved a 29% recovery of his loss through the depreciation of his currency; Switzerland, 54%; only Sweden got up to 100%; Italy, 42%; and so on.

At Home and Abroad

United States	Stock Buyer's Offset vs. Dollar Depreciation
1938 to 1949	30%
1938 to 1950	64%
1938 to 1951	90%
1938 to 1952	99%

In the United States, this chart shows the percentage in the rise of the cost of living that was gained or saved by the buyer of common stock between 1938, and 1949, 1951, and 1952. The reason I've shown these four years is to illustrate the point that it depends so much upon which period you take, because between 1938 and the terminal point of 1949 a man only saved 30%; if he held them until 1950, 64%; 1951, 90%; and if he had held them up to the present time, he would have kept even. It shows the importance of the period that is taken—and who knows what the situation will be next year or the year after?

Abroad, of course, the holder of money or fixed interest securities has fared the worst. In France, the individual who fled into common stocks secured partial protection. I would say about 60 to 65%, but he did not make out nearly as well as did he who bought land or who bought gold. The holder of gold fared best, the holder of land the second best, and the holder of stocks considerably behind them.

As I've said, there has been no consistent correlation between stock prices and the cost of living despite the claims and propaganda in certain self-interested quarters. In general, the record shows that common stocks should never be held only because of their inflation hedge possibilities. The investor should take into account inflation as one of many factors determining over-all portfolio policy as well as in the selection of individual issues.

A Distinction Between Short and Long-Term Trends

In line with the Eisenhower restrictive policy, and also in view of the war situation — the possibility, as I mentioned, of the cutting off of rearmament or the radical cut-down of rearmament —and with the British pattern ahead with the Churchill Government coming in, we may very well have a psychological decline in the price of stocks; but such market reaction would be purely psychological, which can be just as costly to your pocketbook, no matter what the reason is. Objective appraisal shows that current stock prices are justified by criteria of value, such as the very liberal dividend yields which are 6½% on all listed dividend paying issues; and even if you have a rise in money rates, there is still a sizable differential between stocks and bonds in favor of stocks. Price-earnings yields of 9½%, which are very liberal; prospective profit levels, helped by the cessation of excess profits tax, enormous balance sheet strength generally, make American common stocks a good value on the basis of past history, and also, incidentally, on the basis of comparative appraisal with other countries.

These factors of earnings yields, dividend yields, profits and balance sheet, provide what I call a *floor of value* under the current market levels; and hence, the value being there, stocks being fair and good over the long pull advantage buy on the basis of value, means that the hedge against inflation which is provided by the form of common stock has really been given away gratis as a kind of bonus. If stock prices were higher, if the dividend yield were much lower—4 or 5%, the way they are in England—then there might be more headaches in worry as to how much we should pay for the inflation hedge. Luckily, the situation now exists, where the common stock today is an advantageous buy for the very long pull on *value* without taking into consideration the inflation hedge which, as I say, I believe is an extra bonus, and doesn't have to be taken into consideration in our decisions whether to buy or not buy common stock. Hence, because of value and because we won't have a drastic long-term deflation, I believe that over the very long pull well selected stocks will work out all right. In the British market, we see that equities which declined by 30% after Mr. Churchill and the Tories returned to power with their deflation program, in October, 1951, have already recovered 60% of that loss, for reasons which I've indicated.

So here again, as in our conclusions about the general economy, I see a distinction between on the one hand the short-term deflationary movement, and on the other hand, over the long-term, a creeping gradual uptrend.

Our Reporter's Report

Astute observers profess to see in the current behavior of the government security market indications of a not-too-distant attempt on the part of the Treasury to undertake something in the way of long-term financing.

The relentless settling movement which has forced the Victory 2½s through a 2.90% yield basis, it is argued, may not reflect anything in the way of substantial actual selling pressure.

Rather, it is viewed as largely the outcome of extreme caution on the part of dealers through the medium of lowered bids. But even if this is the case, as it seems to be, it must mean that government traders, and they are keen operators, are inclined to look for some new Treasury move.

Washington, as yet, has not given any clue to what it may have in mind. It has several months grace or at least until time rolls around to make preparations for the June 15 refinancing operations.

Meanwhile, the gilt-edge corporate market is keeping the pace. And this naturally makes it necessary for underwriters to step nimbly in the process of marketing new issues.

Recent experience has taught investment bankers anew that unless a deal is set up for quick distribution, the chances of being "hung-up" for a spell are ever present.

New Issues Move

It can be said, however, that this week's new issues tended to move out rather well, with particular emphasis on preferred stocks.

Georgia Power Co.'s $16,000,000 of new 3¾% bonds, priced at 100.90 to yield 3.70%, were moving. Dallas Power & Light's $9,000,000 of first 3½s, priced at 101.871 to yield 3.40% were sold quickly to investors.

Meanwhile, it was reported that Georgia Power's 100,000 shares of new $4.92 preferred stock, priced at 102½ to yield 4.8% went out quickly while Pacific Lighting's 200,000 shares of preferred, carrying a $4.75 dividend rate, and priced at 100, also met brisk demand.

The leaning toward preferred stocks of good-name companies was taken as indicating investors are on the lookout for satisfying yields.

Looking Ahead

New issue prospects between now and the turn of the month, when Allied Chemical's financing is due, are for most part of the small variety. The Street now is inclined to look for a yield basis of somewhere between 3.50% and 3.60% for the Allied debentures.

Once that issue is out of the way another period of relative quiet appears in the offing until the latter part of April when Detroit Edison comes to market.

The big motor city utility has an issue of $40,000,000 of 35-year first mortgage bonds in hibernation with the Securities and Exchange Commission on which it is scheduled to receive bids on April 28.

A week later Southern Bell Telephone & Telegraph Co. will receive bids for $30,000,000 of 24-year debentures being sold to raise capital for construction.

Expanding Calendar

The rising cost of borrowing does not appear to be deterring entry of public utilities into the money market. Currently top-grade bonds are carrying coupons ⅝ to 1% above a year or two ago, but going rates are still a far cry from the 5% and 6% paid in the 1920's when utilities were really just getting started.

Latest candidate for the new issue market is Philadelphia Electric Co. which plans to raise some $45,000,000 via bonds and preferred stock, probably early in May. It proposes to file shortly for $30,000,000 bonds and $15,000,000 preferred.

First Boston Group Offers Ga. Power Bds.

Public offering of 100,000 shares of $4.92 cumulative preferred stock, without par value, of Georgia Power Co. is being made today (March 26) by an underwriting group headed by The First Boston Corporation. The stock is priced at $102.50 per share plus accrued dividends to yield 4.80%. The group was awarded the issue at competitive sale on Tuesday.

Proceeds from the sale and from a concurrent sale of $16,000,000 first mortgage bonds, together with $6,000,000 received from the sale during February and March, 1953, of additional shares of Georgia Power common stock to the parent organization, the Southern Co., will be used to repay $3,000,000 of temporary bank loans and for construction, additions and improvements to the utility plant.

The new preferred stock is redeemable at $106.50 per share on or prior to April 1, 1958; at $105.50 per share after April 1, 1958 and on or prior to April 1, 1963, and at $104.50 per share if redeemed after April 1, 1963.

Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Dan Reed's tax reduction bill is by no means dead. There is as yet no reasonable chance that the Excess Profits Tax will be extended beyond June 30.

These two news judgments prevail at the Capitol, despite the decision of the Chairman of the House Ways and Means Committee to refrain from calling up the tax reduction bill under the general rules of the House.

Mr. Reed explained that he had decided not to call up the bill under the general rules because it would be so loaded with amendments as to spoil the bill. This, however, has been obvious from the beginning. Tax legislation is only rarely considered in the House except under a rule prohibiting amendments from the floor.

This is the rule which the GOP leadership declines to give at this time. It is too early to say whether Mr. Reed can force the rule out on a discharged petition.

Actually the GOP leadership is believed far from being as unsympathetic to the Reed bill as the statements for the record of these leaders indicate. They have been willing to stall off Mr. Reed until the middle of April or May.

However, it is becoming increasingly obvious that the Eisenhower Administration is equivocating in public and private about achieving a balanced budget in fiscal 1954. At the same time it is becoming more obvious that the Eisenhower Administration will not make up its mind whether it can leap the hurdle of a balanced budget in '54 by the middle of April or May, but will stall if possible on this point until the last minute.

Hence Mr. Reed's anxiety to precipitate a show-down. He knew that he will have no clearer track for his bill three or seven weeks from now than he has today, unless his discharge petition, which he is now free to attempt, succeeds meanwhile.

A little delay, however, means quite a bit more to the leadership. If they cleared the way for the closed rule on the tax bill at this time, this would rather sharply precipitate the break between Congress and the White House on this issue. Maybe with time, the thing might be cured.

Mr. Reed, however, still holds the trump card. He can probably prevail upon the Committee majority to support him in his refusal, either to continue the EPT for any period or enact a substitute tax bill. Even the most ardent supporters of Mr. Eisenhower's stand against the Reed bill acknowledge privately that they cannot persuade a majority of the Ways and Means Committee either to continue EPT or report out substitute taxes.

So the leadership, by refusing Mr. Reed a rule now or in the next few weeks on his bill, has achieved two things. Negatively, the leadership has avoided taking an initiative in precipitating an ugly break.

Second, they are going to allow time to let the logic of the Reed bill sink into the minds of the Administration. The logic is that there will definitely be business tax relief through statutory expiration of the EPT without simultaneous relief for individuals from the most onerous level of taxes in U. S. history.

Reed Opposed on Social Security

While Chairman Dan Reed of the Ways and Means Committee has a large and in fact majority cheering section for his tax cut, the rank and file of the House is by no means so happy about Mr. Reed's intention to put social security coverage extension behind reform of this scheme.

Mr. Reed is an ardent and sincere believer that the present old age and survivors scheme is in fact fraudulent, however legally correct. The Chairman believes that some plan must be devised whereby outpayments shall be met currently by taxes, without the hocus-pocus, already largely destroyed in law, that old age insurance is in fact an insurance system.

He is not averse to increasing the coverage, provided a sound plan of revenue-raising without the big reserve, so-called, is devised before hand. And he means to put reform ahead of increased coverage. For that reason he named Rep. Carl T. Curtis (R. Kans.) Chairman of a subcommittee to study social security, Mr. Curtis is said to think the same way as Mr. Reed on this question.

See Election Benefits

It is difficult to find anyone in Congress informed on the subject who does not agree privately with Mr. Reed's assessment of the present OASI system.

On the other hand, members acknowledge the political reality that OASI, they say, has sold itself to the overwhelming majority who know nothing about how they will be nicked when the time comes when out payments for the contributory pension scheme exceed current collections from payroll taxes.

It is better to cater to the ignorance of the millions than try futilely to educate them. Hence the great majority of Congress believe that President Eisenhower has got the right political dope in asking for a broad extension of social security coverage.

So the majority is for Eisenhower on this question for the same reason it is behind Reed and against the President on the tax cut bill: Both proposals will help buttress the chances of retaining in GOP hands the narrow hold the party now has.

On the other hand, Mr. Reed's evident sincerity and known stubbornness for principle imposes another hurdle for the GOP. It will be difficult and perhaps impossible to force Mr. Reed to give in. The President is reported to be increasingly anxious to extend the coverage of OASI. The Senate does not intend to try to force the House's hand by first passing the Eisenhower scheme.

RFC Is Hard Bird to Kill

Despite press reports, the killing of the RFC bird may not be easy to achieve.

The desired political technique, of course, is to create some new or other agency to make some kind of loans and render some kind of a subsidized service for small business, without doing it on as large and as expensive a scale as RFC.

One report must be discounted. The present Federal Reserve Board wants nothing to do with guaranteeing member bank small loans or making them direct. The Board feels that it would be inconsistent with its position as a bank supervisory agency to make loans, and inconsistent with its position as a central bank to disburse funds for such purpose.

So it will take some considerable political sleight-of-hand to create a substitute agency that will satisfy the professional small business lobby that the Administration is not hostile to small business, whilst at the same time saving money.

Liquidation May Bring Little Cash at First

There has been considerable talk that liquidation of the RFC would "return a billion dollars to the Treasury." This may happen, over a period of five to ten years, but will be disappointing in its yield in fiscal 1954.

RFC's chief single asset consists of the synthetic rubber plants, in which there was an original Federal investment, written down by an unknown quantity at present, of $500 million. The RFC proposal for their sale calls for only a 20% down payment.

RFC has some $763 million of outstanding loans and mortgages. Business loans, with an average maturity of five years, make up about $38 million of this total.

Among its other assets are $79.9 million of railroad loans, almost two-thirds of which is to B & O and runs to 1965; a loan of around $48 million to Kaiser-Frazer; Reynolds Metals, a loan of about $48 million; $46.8 million of investments in banks, nearly $80 million of the old RFC Mortgage company guaranteed and insured mortgage loan portfolio, and $88 million of Defense Production Act loans.

On the other hand, RFC has a personnel of 2,100 and an administrative expense of some $14 million annually, which could be curtailed sharply if the agency were put into liquidation.

U. S. Has Other Assets

There are, however, other assets. The Federal National Mortgage Association has a portfolio of something over $2 billion of VA and FHA loans. This asset perhaps could not be used unless the Administration could devise some scheme to get the government out of the housing mortgage business.

The Housing and Home Finance Agency has a fund of $300 million to build dormitories for students at colleges and universities, under the guise that this is needed for defense. Some $275 million of this could be saved if the new Administration acts promptly.

(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.)

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