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EDITORIAL

As We See It

Further consideration of a reduction in defense expenditures has been stimulated by what is regarded, in some quarters at least, as improved prospects of peace. Definite proposals that we refrain from vigorous effort to improve our defenses are usually made, when they are made at all, with timidity. No one can be and no one professes to be very sure of the outlook. Yet there seems to be a drift toward further "stretch-outs" which in present circumstances would in all probability mean a definite relaxation in the defense effort. The fact is that some professional business forecasters are building their prognostications upon the assumption that defense outlays will be reduced significantly before many months have passed.

If this means a reduction in the extent to which we shall prepare for a war emergency—rather than a tightening up of procedures and management in such a way that more is obtained for less money—we leave the wisdom of such a procedure to others or in any event until some future time. What interests us at the moment is the consequences of such a reduction in outlays, if it comes, and what, if anything, should be done to neutralize its effect upon the business situation. We have already in the past emphatically disassociated ourselves from the notion that continued prosperity (by which we mean real and enduring economic welfare) is or can in the nature of the case be dependent upon large armament outlays

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The Transition To Free Markets

By WM. McC. MARTIN, JR.*

Chairman, Board of Governors
The Federal Reserve System

Hailing return to free markets under an untrammeled Federal Reserve System, Chairman Martin declares "dictated money rates breed dictated prices all across the board." Says price mechanism of market place is a basic essential of American economy, and thus present Open Market transactions of Federal Reserve Board will be limited to effectuation of credit policy only. Seeks a minimum role for Federal Reserve in government bond market, and concludes "reasonable stability in the value of the dollar is again a valid assumption."

It seemed to me that this might be an appropriate time and occasion to comment on the part that the Federal Reserve System was designed to play in the economic life of our country. In particular, I would like to say something about the progress that has been made in the past two years in what, for want of better words, I have referred to as the transition to free markets.

W. McC. Martin, Jr.

It is not strictly true, of course, that in our complex world we can have absolute freedom in human affairs. The goal of the greatest good for the greatest number requires as a minimum a Government of laws, and, human nature being what it is, that means some regulation of our daily lives. There is this minimum in monetary management. Nevertheless, the aspiration remains to have as much freedom of choice and action as is compatible with the common good. This is true in economic as in other affairs.

Under the hard choices left us in wartime, we had to dictate even some of the smallest details of our economic

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*An address by Chairman Martin at a luncheon meeting of the Economic Club of Detroit, Detroit, Mich., April 13, 1953.

Investing in 1953-54

By PHILIP J. FITZGERALD*

Partner, Dean Witter & Co., San Francisco, Calif.
Members New York Stock Exchange

Mr. FitzGerald, after predicating his expectations regarding international and domestic developments and pointing out current economic conditions, lays down a positive policy of stock selection. Recommends: (1) certain banks and insurance companies; (2) cement and glass; (3) California oils; (4) electric utilities; (5) grocery chains and food processors; and (6) transcontinental railroads. Favors industries having steady business volume that protects existing profit.

Our Positive Investment Policy for 1953-54 is predicated on our expectations that:

(1) The hot war will be limited to actual fighting in Korea, Indo-China and Malaya, but that our military aid to Europe will continue and will be stepped up in the Pacific;

Philip J. FitzGerald

(2) In spite of the continuing heavy defense outlays that are indicated, we will probably face a period of business readjustment in the civilian segments of our economy before the end of these two years under review.

It is our expectation that this adjustment will:

(1) Come later than most conservatively minded investors expect, which may very well permit a considerable speculation this summer in the cyclical and secondary issues.

(2) Be limited in duration to the extent of a business correction rather than a depression; and

(3) Be more pronounced from an investment point of view by its effect on profit margins rather than on the volume of business that will be done.

Following this line of reasoning we are:

(1) Prepared to forego, for investment accounts, the

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*Address by Mr. FitzGerald before the Sixth Annual Convention of the National Federation of Financial Analysts Societies, Philadelphia, Pa., April 13, 1953.

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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

Neptune Meter Company—Merritt F. Beal, Analyst, Peter P. McDermott & Co., New York City. (Page 2)

Baltimore & Ohio Railroad—W. G. Kahlert, Partner, Jamieson & Co., Minneapolis, Minn. (Page 2)

MERRITT F. BEAL
Analyst, Peter P. McDermott & Co., New York City
Members New York Stock and American Stock Exchanges

Neptune Meter

At this writing, my favorite stock is Neptune Meter, selling in the low twenties on the American Stock Exchange. Recently, there have been frequent newspaper references to a gradually lessening of the amount of water available for common use. This development seems to be general and certainly has a direct bearing on the earnings potentialities of the largest manufacturer of water meters. Just now, a proposal appears to be pending for compulsory use of water meters in New York City, as an economy measure. Where the past record of a company is good and its future earnings power appears likely to expand, naturally, its stock attracts some attention.

At the end of 1952, the company's only capital obligations consisted of 20,865 shares of $2.40 preferred stock (gradually being taken out of the market as a purchase fund was established in 1946) and 466,232 shares of $2.50 par common stock. The treasury held 3,566 shares of the preferred and 33,768 shares of common at the end of the year. The common stock is authorized to the extent of 700,000 shares. Sales have expanded for many years, moving from $9.7 million in 1946 to $23.4 in 1951. For 1952, sales were down a little, to $22.9 million but earnings change was minor. The common stock was split, 2-for-1, in December, 1950, but this step merely improved marketability and did not increase obligations. The financial position of the company is all that could be desired in an equity situation. Current assets, Dec. 31, 1952, were $12,000,000, of which cash, or equivalent, was $3,420,843, against current liabilities of $4,200,000. Receivables approximated $3.5 million versus payables of $425,000. The principal current liability was "accrued taxes" $3.2 million compared to $3.6 million at the end of 1951. Excess profits taxes for the year amounted to $496,086. This is an item which we can hope to see eliminated.

Neptune Meter is the outstanding leader in the production of water meters, which production requires mechanical skill of the highest degree. Its trade name is "Trident" and it makes meters from the smaller house types to large fire service sizes. Other meters produced are for measuring gasoline, petroleum, and other fluids. Through subsidiaries, it turns our broad lines of water works valves, hydrants, stainless steel castings, special wire and other products related to its major output. Its main plants are at Long Island City and Troy, N. Y., and Long Branch, Ontario. Sales, service and storage units are maintained at strategic points throughout Canada, the United States and Latin America.

Earnings per share in recent years have been: 1952, $3.69; 1951, $3.73; 1950, $5.45; 1949, $3.31. The records run back to 1893 when the present name was adopted, but these figures give a fair idea of the stability of the company's earnings. Dividends during the past three years have been $2.00 annually on present stock and the earnings indicate ability to continue such a rate of distribution. As the stock is currently selling on the American Stock Exchange in the 22-3 range, the return to present purchasers promises to be well above 8% and such a high yield from a meritorious issue always interests me and causes wonder when recognition of the good qualities will be reflected in the market place.

A program scheduled to create diversification for the company's output has been in progress for some time. Part of these efforts include the maintenance of a comprehensive research department. Just a little thought on the subject of water use and distribution should convince any astute investor that Neptune Meter is sleeping in the market. The company is directly associated with ... "the world's largest industry, for more water is processed and delivered than any other commodity. The vast water industry is faithfully served by 10,000,000 Trident Meters."

W. G. KAHLERT
Partner, Jamieson & Company, Minneapolis, Minn.
Members New York Stock Exchange

Baltimore & Ohio Railroad

One of the surest ways of making a profitable investment is to buy hidden values and wait until the market discovers them. Two years ago I suggested Northern Pacific in these columns, emphasizing that its holdings of Burlington and millions of acres of land in the Williston Basin were not reflected in its price of 33. Eighteen months later it was selling at 94.

William G. Kahlert

At the present time the most obvious case of hidden values is Baltimore & Ohio Railroad common. If the values are not hidden they are at least camouflaged by an array of distorted earnings. The investing public and the casual trader reads the 1952 earnings as $2.92 per share as reported in the financial press. If the steady buying going on at 29 and 30 intrigues him to further study, he is discouraged to learn that from 1940 through 1952 inclusive, there have been three deficits and 10 years of modest earnings, the total net earnings for the 13 years amounting to only $24.

But if you will get Standard & Poor's listed stock reports on Baltimore & Ohio, you make an amazing discovery. That $2.92 per share reported in 1952 is pure fiction. Actual earnings were $9.74 and the book value is 183 and the stock is selling at 29. It is the cheapest Class I rail common stock from a price-earnings basis listed in Standard & Poor's weekly railroad service.

The actual net earnings for the 13 years were not $24 but actually $83.12. Since only 75c per share was paid in dividends, over $82 per share has been plowed in—reducing funded debt or improving property. This policy is bound to build-up assets and earning power which will finally explode marketwise and offer huge capital gains. The situation should be especially attractive to those in high tax brackets who prefer capital gains rather than current dividends. This distortion of earnings is due to funds set aside for debt retirement and property improvement, as required by refinancing programs and RFC loan made during the depression years.

It has been estimated that last year's earnings of $9.74 per share would have been about $12 without the prolonged steel strike. Even that does not tell the whole story as Baltimore & Ohio's investments in Western Maryland, Reading and Central Railroad of New Jersey are now very valuable but have not shown to any great extent in reported earnings.

At present there are restrictions against dividends until fixed charges, now about $24,000,000, are reduced to $22,000,000. This could be accomplished within the year through a refinancing program or through the sale and leasing back of properties and using proceeds to reduce debt. Baltimore & Ohio is rapidly shaping into a fine property, operating in a rich section of the country. It is mainly a freight railroad with little passenger business. It has been showing the way to those former Wall Street favorites, New York Central and Pennsylvania. Once restrictions are removed it should be able to earn and pay from $3 to $5 per share and sell at from 50 to 70. From 1924 through 1931 it paid from $5 to $7 per share regularly and sold at $145 per share.

You wonder about the future of the rails? They still can haul a ton of freight one mile for about 1¼c. That's the greatest bargain available in this age of high prices and one of the most important factors in peacetime prosperity or wartime security. Why, the railroads will haul a bushel of perishable citrus fruit 1800 miles from Florida and deliver it to your home for less money than your local drayage company will haul your trunk a few miles to the depot!

The railroads should be permitted to earn a fair return just as the telephone, power companies and other utilities do. The sooner they do, the better it will be for all of us. Baltimore & Ohio common, around 29, appears to be the outstanding bargain in this great industry — the workhorse of the country. Baltimore & Ohio non-cumulative $4 preferred earns over $30 per share and yields 8½% at its current price of 47.

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The Future of Interest Rates

By RAYMOND RODGERS*
Professor of Banking, Graduate School of Business Administration and in the School of Commerce, Accounts, and Finance, New York University

Dr. Rodgers points out basic factors of supply and demand which are now affecting interest rates and discusses the new Federal Reserve policy as contrasted with its previous credit policy. Holds new credit restriction policy of monetary authorities has caused stiffening of interest rates, which will continue until business activity turns downward. Looks then for change in credit policies of Federal Reserve.

In recent weeks, interest rates stiffened; the Treasury 2½s of 65-70 dropped to around 93, giving a yield of 2.95% to maturity; finance companies no longer had credit thrust upon them by the banks; and, mortgage money further tightened.

Raymond Rodgers

Do these changes represent the free working of basic forces of supply and demand, or do they merely reflect new debt management and money management policies? And, whatever the cause, do they represent an inevitable trend to a higher interest rate plateau, or do they merely constitute a temporary situation which will be reversed in coming months?

To do full justice to these questions would require a survey and analysis of our entire economy. That would take too long. On the other hand, merely to give my conclusions might prove dangerous to you men who have to back your judgment with real money, as the factors on which the conclusions are based necessarily change from day to day in a highly dynamic economy, such as we have here in America. In view of this, let us take a middle course and analyze only a few of the more important forces, so that you can keep abreast of developments as they materialize.

International Factors

International developments are of basic importance to the American economy. Although President Eisenhower is attempting to regain the initiative in world affairs, developments in Korea, Indo-China and Europe, itself, are still largely dependent on Moscow. Stalin's death has only introduced another great uncertainty in the world political picture, and no one can be certain of what the outcome will be.

On the economic side, the international outlook is, also, far from satisfactory. Exports of a commercial character are still running some 16% below 1952. This is painful proof that, as Doctor Leo Barnes of Prentice-Hall Economic Service puts it, the "United States can't simultaneously be (1) a big exporter, (2) a reluctant importer, (3) and an unwilling credit or donor. To keep up exports, we must either import more, lend more, or give more."

This is not to imply that the dollar shortage, which we have given $38 billion to cure since the end of World War II, is entirely our fault. As the distinguished Professor Lionel Robbins of the University of London put it earlier this year, "It is the failure of the non-dollar centers to restrain their expansion which is responsible for their failure to get nearer to closing the dollar gap."

Recovery in exports is not to be expected, as the new goal of "trade, not aid" certainly faces real hurdles in the days ahead.

Some Basic Factors of Demand

In the long run, basic factors of domestic demand and supply will determine interest rates.

Despite the heavy current demand for both capital and credit, non-government borrowing for the entire year should prove somewhat under that of 1952. This will become more apparent later on in the year when plant and equipment spending eases off and inventory accumulation comes to a halt.

A word or two about the current inventory accumulation, especially in consumer durable goods, will show why a slowing up is expected. R. L. Polk and Company report registration of new passenger cars in 1952 was only 4,158,394, which is 17.8% below the 5,060,903 of 1951. Yet, according to Ward's Automotive Reports, auto *and* truck production during January and February of this year ran 43% *above* the same two months of 1952. Now, it's true that there was a tremendous upsurge in automobile sales in January and February, but they didn't increase that much. As a matter of fact, *inventories* increased some 10%.

Tire inventories also have reached a high level — in fact, their highest point in more than 20 years. To be specific, they are more than 40% higher than last year at the same time.

Television output in January rose to 719,234 sets, as compared with 404,392 in January 1952; and January radio production of 1,093,142 was also nearly double the 632,455 produced in January 1952. And, again, sales were very good, but not that good.

Now, here is the thing to remember about these consumer durable goods inventories which are building up: Of all the im-

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*An address by Dr. Rodgers before Eastern Mortgage Conference, Mortgage Bankers Association of America, New York City, April 6, 1953.

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* Column not available this week.
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Pouring Profits from Paper Cups

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A glance at the expansion in sales and use of disposable drink dispensers; and a short sketch of two leading cup bearers —Lily Tulip and Dixie.

Whether you dally at the office water cooler, latch on to a malted milk at a soda fountain, or quaff 12 ounces of beer while berating the umpire at Ebbets Field, the chances are you'll be drinking out of a paper cup—you and a hundred million others. Yet this paper cup, which you hardly notice, and carelessly throw away, is the basic item in a fabulous and growing American industry. Four basic factors started all of this off.

Ira U. Cobleigh

First was the matter of cleanliness and sanitation. At certain soda and soft drink emporia of yester year, careless dishwashing and sloppy handling often delivered to the customer a smeared or smudgy glass. The customer righteously resented it. This led to health laws specifying better cleansing and sterlizing techniques; and these in turn built up labor costs. Thirdly, there was the matter of glass breakage which also ran into money. And the solution? Paper cups.

And finally, along came the automatic vending machine where, today, a dime will deliver to you, in a matter of seconds, a drink of cola, orange juice, coffee or pop soda. A drink vending machine without paper cups is like Abbott without Costello. Fact is roughly two billion paper cups will wend their way through vending machines in 1953, and many billions more will be used elsewhere. But we don't stop there.

The cup producers are an imaginative lot. Each year they dream up dozens of new variations of the paper cup idea. It's not only what you drink but what you eat that now comes to you paper bound. Cream cheese, ice cream, frozen foods, pigs' feet, to name a few, are on the list. And even paint is now deliverable to you in a gallon-size paper pail. Altogether about 550 different items are manufactured by the very same outfits that started in by passing out cups.

A word about raw materials might be of interest here. The principal ones are paraffine paper and paperboard, and it has been industry practice to purchase these, rather than to produce them in what would be a more vertical-type industrial organization. Paper costs went up in 1952, but the prospect is for greater price stability in 1953.

The two largest units in this industry are **Lily Tulip Cup Corp.** and **Dixie Cup Co.** The common shares of both are listed on the New York Stock Exchange, and a few moments spent in appraising these interesting equities seems appropriate at this point.

Lily Tulip Corp.

Lily Tulip passed a significant milestone in 1952 when its sales, for the first time, crossed the $50 million mark; and the year was further marked by the completion of an important expansion phase. In 1951 a $7,000,000 3¾% note issue retired the preferred stock and provided funds to finance a new Bronx warehouse; and a new plant in Springfield, Mo., designed and engineered to turn out "single-wrap" cups on a multi-shift production basis. These facilities, plus plants at College Point and Bush Terminal, New York, Augusta, Ga., Galva, Illinois, Los Angeles, Cal. and a plant at Toronto, Canada (Canadian subsidiary, Lily Cups Ltd.) fill out a thoroughly modern group of integrated regional manufactories. Together, they can turn out about three cups, or containers, a year for every human being alive on this troubled planet—a grand total of 6.3 billion units! Little cups make big business.

In addition to pushing its net sales, in ten years, from $14 million to $50 million, growth factor here is evidenced by a constantly expanding series of new products and ingenious engineering to made the machines that turn 'em out. Each new line needs a special new production device. For example, right now Lily Tulip is working out a new flat bottom water cup made from one piece of paper instead of two, as formerly. It involves new concepts of cup structure and manufacture —and a new machine.

Similarly, you may recall sending out for a container of hot coffee and when you opened it by working the lid out of its groove with your clumsy thumb, you spread your suit and tie with Java. Well, Lily is correcting all that. They've got a snap-over lid that you can open without a shower curtain, and that protects the rim against germ and dirt because it covers same while in transit. Pioneering in ideas and production, like this, have given Lily Tulip a lot of its impressive forward motion.

On the financial side LIL demonstrates sustained profitability and a balance sheet boasting among other things, over $12 million (1952 year-end) of net working capital. While 1952 net earnings were $2,676,695 (down from $3,106,330 in 1951) this was due mainly to the squeeze of price controls on the sales side, and rising costs at the manufacturing end. The outlook this year is for improved earnings, due both to a better price structure, and the benefits of new and highly efficient plant capacity, available for only part of 1952.

With all the hue and cry about growth stocks and the stressing of selectivity in present markets, logic would suggest an inspection of LIL common. Preceded by only $7,158,000 of debt, the 448,740 shares have a definite leverage factor; and such minute equity capitalization suggests always the possibility of a stock split at some future date. There was a 75% stock dividend in 1950, which is a nice way for your financial cup to run over. On the 1952 record, with per share earnings at $5.96, the $2.50 cash dividend was handsomely covered; and the stock, selling at 11 times earnings, does not seem to have placed a great over-valuation on the rather obvious inherent growth potential. The management here shows every evidence of sales, technical, and financial competence.

Dixie Cup Co.

Second in size, in the trade selected for today's opus, is Dixie Cup Co., which began in 1936 as a merger of Dixie and Vortex. Long a leader in cup manufacture, about 75% of its 1952 sales were in that division. With an unbroken dividend record going back to 1929 and net sales hitting a new high of $36 million in 1952, DV offers to investors a by no means static enterprise.

In common with Lily-Tulip, 1952 net was held down by sales price lids; and there was an inventory bulge in the first quarter that had to be smoothed out. Then, too, one plant went on strike for over two months. But these things don't interfere with the main stream of Dixie progress which has been pretty dynamic. In the vending machine business, Dixie is a very big factor, and DV has also done some important pioneer work in the beer trade. Seems that, at first, people just didn't go for beer in paper cups. Either the brew tasted different, or drinkers felt that the head of the malty stuff was flattened in some way by the paper. And they'd always been used to peering through the glass to see the bubbles. However, Dixie developed a cup that allowed the beer to hold its head; and, in due course, the paper cup has become accepted for beer. You'll get yours that way at Belmont Park, Ebbets Field, drive-in movies, or a dog track, and this field alone has enormous possibilities for the future.

Six modern, and strategically located plants, give Dixie effective coverage of the major markets, and its owned plant in Fitchburg, Mass., produces the automatic machinery required to turn out its over 500 different models of containers and cups.

About finances, the company has outstanding $14 million in long-term debt and 762.322 shares of common listed on N. Y. S. E. This stock is the result of a 2-for-1 split in 1951 and (with adjustment for the split) has ranged in the last decade from 5 to 39. Present dividend rate of $1.60 was protected by per share earnings of $3.02 in 1952. Current price 37. When you say this company has grown rapidly, and shows no signs of stopping, then it's true what you say about Dixie!

Altogether, when you consider the broad and expanding horizons of use for paper cups and containers, in offices and factories where the 10 a.m. Koffee Klatch is getting to be standard, and "infeeding" on the increase; at fountains, bars, amusement parks and arenas; in vending machines (running well into six figures): in hospitals, schools, and with the Armed Forces; not to mention in new uses for frozen food delivery; you wind up with quite a lot of enthusiasm about the prospects in this industry. Why the day might even come when you guzzle champagne out of a paper goblet at the Waldorf!

With Spring coming on, and "Play Ball" echoing throughout the land, people, by the million, will be washing down hot dogs with assorted potions — served in paper cups—and they'll be pouring profits into cup corporations, such as the ones we've been talking about!

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Let's Look at the Stock Market

By ARTHUR J. MESSING*

Herzfeld & Stern

Members New York Stock Exchange

Mr. Messing holds the stock market for the short-term is going to rally and recoup about half what it lost, but for longer term, he sees rising money rates that will end bullishness, and with some exceptions a moderate downward readjustment in the market. Says current market decline has been completed.

As an introduction to my remarks, I want to say, I believe—and this is purely my belief—that there will be a real peace and a real "peace offensive." Now, if that belief is correct, then we come to the second question, and that is: Can we use all of the things that all of the factories in this country can produce? You know steel production has been terrifically increased by new plants and equipment. Practically every other line of heavy industry has done likewise.

Arthur J. Messing

Now, if we are to have a real peace, it is going to be something new for this country. Since 1939—and that is 14 years, outside of a short period after World War II—we have been building up and building up and building up a war potential; corporations have been expanding at an enormously rapid rate; and I wonder whether, if my first premise is correct and this is going to be a real peace—let's hope it is — whether we aren't overproduced in most lines—not in all, because there are a few lines, which I shall come to in a moment, where the demand, I think, will be terrific, where the growth situations are stupendous in this country.

One I will mention of those is the air-conditioning industry which hasn't even scratched the surface in this country.

I remember addressing this Association in either Nov. or Dec. of 1945. The words I used then were — I remember these words — "When the brokerage houses are crowded to the doors, and when Graham-Paige acts better than General Motors, watch your step!"

Now, that is an actual quotation from a lecture that I delivered here. I was just two months and a few points too soon. This time, unfortunately, this meeting is about two weeks and 20 points too late.

Let us look at the market for a moment. This bull market started in May of 1949. It has been running along very nicely for almost four years. That is a pretty long time—from 160 in the Dow-Jones averages to 295. That is a pretty long road.

Now what do we face? Well, I don't like to be a pessimist. I love to be a bull, and I am a bull by nature.

I think we face this, for the short-term: I think the market is going to rally. I think it is going to recoup about half of what it has lost.

The Long-Term Outlook

For the longer term, I see this: I see rising money rates, constantly rising money rates, and I don't know of any surer sign of an end, or a coming end, to a bullish market than rising money rates. And therefore, after that recoupment, you can expect and look for, with some exceptions, a downward readjustment in the market, just as you are going to get a downward readjustment in prices. The only thing that is going to get more valuable from now on is the thing that nobody wanted, and that is the dollar bill.

How far down, I don't know. We are certainly not going to go through any 1929-1932. We haven't built up for it. We may not even have anything like we had in 1946. We may not have anything like we had in 1937, but certainly we have to face the facts. Money rates are rising. Corporations have expanded terrifically on borrowed money, and that expansion may now prove to have been—I use the word "may"—may now prove to have been unwise.

Someone mentioned to me a day or two ago, and again today—it is mentioned to me nearly every day —What about the removal of the Excess Profits Tax? Isn't that going to be a terrific stimulus to the market? Of course, my answer to that is very simple. It would be, if you have the excess profits after the removal. Whether you will have them or not, I don't know. There is one thing I do know, and that is that most corporations are going to show terrific first quarter earnings. From there on, I must confess to doubts.

I base it on many things. Let's take one for an example. There certainly isn't an industry in this country that has been more necessary for the war effort of this country than the steel industry. Do you know when the steel stocks made their highs in the bull market? In Feb. 1951. Outside of one, Republic Steel, I don't know of any major steel company that has gotten as high since Feb. of 1951. So you have had from May, 1949, to Feb. 1951, a terrific advance, and from Feb. 1951, up until January of this year an irregular advance in certain industries only—not in steel, and not in many of the other industries.

Look up your records. You will find Bethlehem sold at 60 in Feb. 1951; U. S. Steel at 48, in Feb. 1951. They have never been there since. They are supposed to be the companies that are making all the money out of the war effort.

So you have had a distributive phase, certainly, in many impor-

*Stenographic transcript of an address by Mr. Messing before the Association of Customers' Brokers, New York City, April 9, 1953.

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tant stocks and many important industries.

The Near-Term Picture

Now let's look at the near-term picture. We get a different perspective—slightly different. From the last part of October, when it looked as though General Eisenhower would be elected, the Dow-Jones averages rose from 262 to 295; rails from about 96 to 114. I am leaving off the pennies. They have now lost a full two-thirds of that gain—and exactly that at the close the other day. It was one day last week that the "New York Times" average had lost exactly two-thirds of its gains from the October low to the recent high. That is the classical intermediate decline. That decline, I think, has been about completed.

I think the market is going to form a new base. I think you are going to get a rally, and a pretty good one. If you see stocks come half way back, I think you will agree with me that is a pretty good rally, and I think that that is about what you can look for.

From then on, world news, world economics, the entire economic picture is going to govern. You will have had the big ride from October to January, the two-thirds decline; the 50% rally; and from then on you will have to be your own economist for a while.

Nat'l Federation of Fin. Analysts Elect

PHILADELPHIA, Pa. — Directors of the National Federation of Financial Analysts Societies at their annual business meeting April 12 elected Samuel B. Jones President of the Federation for the ensuing year.

Mr. Jones, formerly Executive Vice-President of the Federation, is Vice-President in charge of the investments of the Fire Association of Philadelphia. Mr. Jones succeeds Richard W. Lambourne of Dodge & Cox, San Francisco, as President of the Federation. He is a Past President of the Financial Analysts of Philadelphia, the host society for the Sixth Annual Convention of the Federation.

Other officers elected were: M. Dutton Morehouse of Brown Brothers, Harriman & Co., Chicago, Executive Vice-President, and George M. Hansen of Keystone Custodian Funds, Inc., Boston, Secretary-Treasurer. Mr. Morehouse succeeds Mr. Jones, while Mr. Hansen succeeds Kennard Woodworth of Eaton & Howard, Inc. of Boston, who is retiring after serving two terms as Secretary-Treasurer.

At the same time announcement was made of the election of 13 Federation Vice-Presidents — one from each of the member societies. The new Vice-Presidents, nominated by their own societies, will serve for one year.

They are: William W. Wolbach of Boston Safe Deposit & Trust Co., Boston; Philip C. Biggert, Scudder, Stevens & Clark, Inc., Chicago; David G. Watterson of Boyd & Co., Cleveland; F. Bradley Case, Relm, Inc., Detroit; Charles E. Brown of Kansas City Life Insurance Co., Kansas City; Alfred B. Post of Shearson, Hammill & Co., Los Angeles; William S. Bush of Canadian Industries, Ltd., Montreal; Marvin Chandler of Reis & Chandler, Inc., New York; William C. Trapnell of the Provident Mutual Life Insurance Co., Philadelphia; Robert H. Goff of the Automobile Mutual Insurance Co. of America, Providence; James C. Wheat, Jr., of James C. Wheat & Co. of Richmond; Carl L. A. Beckers of the St. Louis Union Trust Co., St. Louis and William P. Held of J. S. Strauss & Co., San Francisco.

The State of Trade and Industry

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

On the industrial front for the period ended on Wednesday of last week total output diminished somewhat but it continued to hold close to the post-war high attained a few weeks ago and was about 3% under the all-time high established in the final quarter of 1943. As for industrial employment it was at the highest level yet attained at this time of the year.

Steel ingot production in the week ended April 11 was scheduled at 98.9% of capacity, up slightly from the reduced level of the prior week when a sudden labor dispute on a Pittsburgh railroad hampered steel output. The gain over a year ago was quite sharp for at that time a labor-management dispute cut into production.

The steel market continues to set a torrid pace despite rumors that the peace offensive and economies in Washington would cause consumer demand to fall flat on its back, states "The Iron Age," national metalworking weekly this week.

As a matter of fact there are indications that the third quarter, instead of being the period when supply and demand reach balance, will find some consumers as hard pressed to fill their steel needs as they are today, it adds.

In the months ahead manufacturers trying to get more steel will run into such limiting factors as the expanding shell program which will carve a bigger chunk out of available supplies of large sized bars and hot-top quality steel, wildcat strikes and the dilemma a number of steel producers must face of whether to pause for preventive maintenance or risk breakdowns of tortured machines, it continues.

United States Steel hasn't yet told all customers the outlook for the third quarter, but the news will be anything but good. Some shifting around of available ingot production from other melting units is being worked out, and an effort is being made to distribute the burden, but plates, shapes and wide flange beams will bear the brunt, this trade authority asserts.

There is little chance that these product losses will be made up by other producers, although they will be under plenty of pressure to do so. These products already are in tight supply and producers for the most part are working at capacity.

Demand for conversion ingots has eased in the Midwest. But this does not mean that conversion is tapering off. Some steelmaking expansion programs have temporarily outpaced finishing facilities, and rolling space continues at a premium.

Despite continuing high steel production, scrap supplies are good, and the market has turned soft in some areas. The "Iron Age" steel scrap composite price declined $1.17 a ton to $42.75 per gross ton.

In the automotive industry despite dealers' high inventories of new and used cars, auto companies are planning record output for the current quarter, "Ward's Automotive Reports" states.

The past week they turned out 134,520 new autos, compared with a revised figure of 131,739 the preceding week. The prior week's figure had originally been estimated at 140,134, but "Ward's" had expected Chevrolet would make cars on Saturday and the company did not.

Production last week was topped in 1953, only by the final week of March, when 139,276 were assembled. It was also about 48% more than the 91,105 units made in the year-ago week.

"Ward's" said the industry is now planning to make 1,900,000 cars in the current quarter, slightly more than the record 1,898,783 in the July-September, 1950, period. This is the third revision in the firms' second quarter plans this year. First they planned to make 1.7 million for this quarter; later, 1.8 million, and now, 1.9 million.

Meanwhile, stocks of new cars held by the nation's 45,191 dealers as of last March 20 averaged 8.82 per dealer, the highest since the 9.4 average in May, 1951. Highest post-war average stock figure was about 12, but the date this occurred was not immediately available from this agency.

But "Ward's" said the current stocks are of "no particular concern." It added: "Used car stocks at new car dealers are at the highest level in more than 26 months and are warranting close attention, however."

Steel Output Scheduled to Decline to 96.7% of Capacity

Labor troubles that have held down steel production the last two weeks may be just the beginning of quickie strikes that will plague the steel industry the next few months, but you can rule out the possibility of an industry-wide steel strike says "Steel," the weekly magazine of metalworking.

The latest flare-up was a strike last week of 100 employees of the United States Steel Corp. railroad serving U. S. Steel plants at Youngstown, which idled about 10,000 steelworkers and cost 8,000 tons of ingot output daily.

The preceding week was marred similarly by a five-day strike on a U. S. Steel railroad serving U. S. Steel plants in the Pittsburgh district, resulting in a loss of approximately 100,000 tons, this trade journal noted.

The union's President, David J. McDonald, called a meeting of the union's executive board and wage policy committee for April 27 and 28 at Atlantic City, N. J., to map a wage program to present to the steel industry.

Under agreements signed last summer after the two-month nationwide steel strike, either the union or the industry can give notice to the other on or before May 1 of its desire to negotiate concerning a change in wage rates. Presumably this formal notice

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Observations . . .

By A. WILFRED MAY

Portfolio Diversification Versus "Selectivity"

Diversification, as we pointed out in this space last week, is the safest key to the investor's self-preservation midst the imponderables in the present political and market situation. This conclusion will be reinforced by recognition of the high degree of past intra-market *divergence* between the price movements of stock groups and also of individual issues within groups.

A. Wilfred May

Let us interject a word of realism about "selectivity," a most popular but highly fallacious concept in today's market circles. The term "selective" as applied to the market's action, actually only represents the truism that some companies are more favorably priced than others, and (really an entirely different matter) that some issues will act better than others marketwise.

As ordinarily used, the term "selectivity" merely rests on the utopian premise of how nice it is to be able to pick the "winners."

As a medium for describing past market action, it merely uses hindsight in detailing the *divergence* which has occurred. Used for the future, it assumes the retention of such hindsight for anticipating the divergence that will occur. Hence as a practical maxim for making investing decisions by itself and without the accompaniment of logical investing tools, "selectivity" is useless as well as meaningless.

To overcome the investing difficulties presented by market divergence, the instrument of *diversification* contains the only key. And the greater the degree of divergence, the more useful will diversification be—and as a hedge against external imponderables as well as market risks.

Market Crazy-Quiltism

The past record of market crazy-quiltism will strongly substantiate the advisability of such hedging.

During 1952, among the components of the New York "Herald Tribune" Averages, typically the rails advanced by 30% and the oils and motors by 7% each; while other groups advanced less, remained unchanged, or declined by as much as 8% for the coppers.

Important evidence in greater detail of the degree of the market's recent non-uniformity has just come to hand. The statistical department of Arthur Wiesenberger & Company has completed the most exhaustive current review of such contradictory market movements. In the overall picture of 1952, while "the market" as embodied in the Dow-Jones Industrial Average, was rising by 8%, almost one-half of the stocks listed on the New York Stock Exchange registered declines. During this "bull" year, of the 1,076 common stocks listed, 447 declined, 595 advanced, with the remaining 34 unchanged or newly-listed. The declines ranged to 40%, with the average loss 13%.

An interesting result shown by the Wiesenberger analysis is in the non-existence of a cure-all through concentration in any one category of issue, whether in the high-grade and long-dividend payers or the "cats and dogs."

A group of 53 recognizedly *high-grade* issues registered losses ranging to 22% (in lieu of the D-J's concomitant rise of 8%).

A lengthy record of dividend-payment is the reassuring attribute prompting a currently popular basis for stock group recommendation. But the study finds that 112 issues with records of 20 to 104 years of continuous dividend payments, last year showed losses up to 37%, with an average decline of 11%.

Growth Stocks

Neither is a sure paradise furnished by the glamorously popular *growth* issues. In the 1952 bull market year no less than 106 issues with growth characteristics showed declines, with their average loss at 11%—which actually represents an 18% loss vis-a-vis the D-J concurrent advance.

Neither does the escapist to *defensive* issues so popular now, find a guaranteed haven of protection there. As many as 44 issues with defensive characteristics declined in last year, an average fall of 8% being registered.

Declines were similarly mixed among low and high priced issues.

In our stepped-up "Cold-Hot-War-Peace" quandary, the record of the war and the peace issues is particularly important. Despite last year's continuing Cold War situation, the goodly total of 139 war issues declined at an average fall of 15%. And even the more forward-looking investor anticipating an eventual armament letdown was likely to come a cropper. For 108 peace shares suffered an average loss of 11% during the year.

So here we have further evidence, as this column has gleaned

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Best Investment Values In 1953 and 1954

By F. W. ELLIOTT FARR*
Girard Trust Corn Exchange Bank, Philadelphia, Pa.

After picturing the current investment situation, and asserting stock investor seems to take a more dubious view of the highly cyclical industries than in past, Philadelphia analyst holds real buys for 1953 and 1954 may fall in neglected groups which have not fully participated in recent market strength or which appear to be discounting future trouble. Cites, among these, stocks of machine tool, capital goods and heavy electrical industries. Sees insurance stocks at reasonable price levels.

In the investment business, one is frequently asked—"What's a good buy?". This seems to be a form of greeting rather than an actual question. It reminds me of the definition of a bore as one who when you merely say, "How do you do" insists on giving all the particulars. In any event, I am going to try to answer the question implied in the subject set for me with confidence that you—let alone the world—will little note nor long remember what is said here.

I think we can all agree that the selection of buying opportunities has subjective overtones, conditioned as it is by the unconscious rationalization of one's preconceptions and prejudices. It is probably wise to temper one's judgment of somebody else's ideas by considering what a medieval physician would term the balance of his humors. The dominant humor of the majority now appears to be sanguinary but there is a minority which is ruled by an excess of "black bile" and which therefore tends to melancholia. I will have to admit to being one of these unfortunates and you in turn should discount what I say accordingly.

In this booming economy there seems to be little for the analyst to worry about. This has ever been the case in good times and never more so than at the very top. But there are a few clouds on the horizon which do not now seem particularly alarming but which may carry a portent for the future.

Rise in Private Indebtedness

Perhaps the most significant of these clouds is the overall debt situation. The Federal Government has now been on a balanced cash budget for the last six years and during that period there has been no significant change in the national debt. In sharp contrast, private debt—that is, the debts of corporations, individuals and other nongovernment borrowers—has increased by approximately $150,000,000,000. In the last three years the rate of increase in such debts has been about $30,000,000,000 a year. Part of this increase has been to finance inventories at higher prices, part has been for expansion and replacements of plants; a large segment is reflected in commercial and individual mortgages to finance the building boom; part has gone to finance expenditures for immediate consumption and is reflected in instalment loans and short-term personal borrowings which are now at an all-time high.

Not all of the net increase in borrowings constitutes an inflationary element in the economy but a great deal of it does. The offsets include sums borrowed by corporations but not yet expended for expansion and also the increasing net savings of the public. It seems safe to assume that the net inflationary factor of increasing private debt has amounted to more than $20,000,000,000 for each of the past three years.

In the period ahead a number of important deflationary forces appear likely to become a factor in the economy. A slow-down in spending in excess of income could easily remove $15 to $20 billion from the annual purchasing power of the country. A gradual decline in defense spending could take another $5 billion out of the spending stream. In all, the withdrawal of this purchasing power could start a downward spiral and produce a business recession of considerable moment. Such a slump might not go very far because of probable Federal spending policies and stable purchasing power available to large groups of the population which did not exist in their present form in past periods of economic stress. These groups would include people on pensions and those who would come into the enjoyment, such as it is, of unemployment insurance payments, relief checks and other such evidences of social progress! On the positive side, moderation or rationalization of the Federal tax structure could be a potent plus factor, and under the present Administration this appears to be slightly more than just a pious hope. We have noted that personal savings have been growing and have acted as a partial offset to inflationary forces. A subtsantial portion of funds thus saved flow into the investment market in a constant and ever-increasing stream and this stream is likely to continue to increase with respect to the large part which is made up of repayment of debt, mortgage amortization, and life insurance premiums. When the demand for increased credit by private sources levels off, the flow of funds seeking investment may easily exceed the supply of such investments and this will mark the top of the money rate cycle as well as the business cycle. The most favorable thing which can be said about this turning point is that it will afford an ideal background for funding the short-term Federal debt!

Operating Profit Margins

Many economists have a tendency to emphasize such things as gross national product and other overall measures of activity. Sometimes, too little emphasis is given to things like operating profit margins. While the annual reports for 1952 show general maintenance of gross business volume, rather general declines in pre-tax margins of profit are also in evidence. This appears to be due to a return to competitive markets and, therefore, is not likely to be reversed in 1953 except in industries which are recovering from such 1952 troubles as strikes and material shortages. A number of industries, the textile industry for example, have had major profit recessions and now appear to be recovering. Few participants in such businesses, however, expect profit margins to return to those which were enjoyed in the years immediately following the war. Furthermore, most companies which have had severe volume declines have shown very little ability to control costs. Measured by the small sample to date, industry has a high and relatively inflexible break-even point as compared to prewar experience. For this reason, I do not think it over-pessimistic to suggest that a down-turn in industrial and business volume will produce an accelerated effect upon business profits. In this connection, it may be worth while to comment briefly on several of the major groups which may be about to turn down.

Construction Approaching a Peak

Of all the elements in the business structure, construction is probably the most dynamic in its effect on the trend of business activity. Industrial construction—excluding public utilities—seems now to be approaching a peak, particularly that large segment covered by certificates of necessity. Housing construction also appears to be topping out as family formation declines and as the process of undoubling of households approaches completion.

The hard goods boom—automobiles and heavy appliances—has either lost or is about to lose the stimulation of the demand for replacement of pre-war equipment. This will be particularly true of automobiles in 1954.

The railroad has completed a major share of rolling stock rehabilitation. Since locomotives and cars have a long replacement cycle, an extended period of dull business if not stagnation may lie ahead.

Industry by industry, capacity is becoming equal to or is exceeding requirements. In short, the greatest seller's market of all time is passing into history and competition is the new order of the day. Under such conditions, the incentives for expansion are reduced and more and more businessmen will begin to try to get their houses in order.

Bonds Should Offer Buying Opportunity

In the next year or so, if the foregoing analysis has any merit, bonds should offer a real buying opportunity. That segment of the bond market which offers the greatest attraction is the one in which the greatest state of confusion now exists. This, of course, is the field of tax-exempt issues. My first choice for top values is in the long-term Federal housing market with good grade revenue bonds a close second. In my opinion, many of the purely politically supported issues have yet to reach bargain prices in relation to the potential supply. The final adjustment, however, should not be long in developing. While many students believe that the supply of tax-exempts is potentially so large as to exceed any reasonable demand, it does not take too much manipulation of the slide rule to prove that a potential market exists which is plenty big enough even for the tremendous present and future supply of such issues. The bullish element is that the rapid rise in basis return has increased the size of the market in almost geometric proportions. All that is now required is a first class selling job by dealer organizations.

So much for the bond market. But analysts are usually much more interested in the outlook for stocks than bonds and therefore the balance of my remarks will be directed to this end. If one is even mildly bearish on the economic outlook, the normal reaction is to seek out so-called defensive industries when making stock market selections. A study of the market, however, suggests that many of us have already done this and that stable companies are priced accordingly.

The electric utilities are a good example of a fully priced defensive industry. Two or three years ago, it was possible to buy 6½% with safety in a sound utility common stock — a yield about two percentage points more than preferred stocks of the same company. In the present market, 5¼% to 5½% is nearer the mark for such common stocks, while the

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*Remarks by Mr. Farr at the Sixth Annual Convention of the National Federation of Financial Analysts Societies, Philadelphia, Pa., April 13, 1953.

Institutional Investors and the Auction Market for Equities

By ROGER F. MURRAY*
Vice-President, Bankers Trust Company, New York

Noting the increasing popularity of equities with institutional investors, Mr. Murray sees this resulting in a less effective functioning of the auction market. Says, on balance, it appears that the investor is not being injured by this trend, since small saver has investment facilities and greater liquidity through mutual funds, while larger investor and institutional holder can operate in the dealer market as in case of bonds and preferred stocks. Concludes all this will generally lead to more stable stock prices, though substantial price fluctuations may be expected to continue in future.

I shall deal briefly with the influence on the market for common stocks of four groups of investing institutions: personal trusts administered by corporate fiduciaries, trusteed pension funds, mutual savings banks, and investment trusts. Even modest changes in portfolio management policies are bound to have important effects upon the securities markets because the invested assets involved probably aggregate between $95 and $100 billion.

Roger F. Murray

The processes by which these funds are being accumulated need not engage our attention in this discussion. It is sufficient to observe that for a wide variety of reasons people are asking investing institutions to manage for them a high proportion of the liquid assets of the country. Direct investment in securities by individuals appears to have only limited appeal to the new generation of savers in comparison with investment through intermediaries. What are some of the implications of this preference for the use of institutional channels, both currently and looking some distance into the future?

Increasing Popularity of Equities

Recent surveys show that only a small minority of individual savers think well of a direct investment in common stocks. However, they obviously can be sold on the idea of owning a supervised and diversified stock portfolio through the acquisition of mutual fund shares. The volume of such funds is still quite small in the total picture, yet the rate of growth, climbing toward $600 million last year, is impressive and the market has scarcely been tapped. It is significant that common stock and balanced funds are meeting the greatest demand rather than funds specializing in sheltered types of securities. Clearly, common stocks in this kind of a package can be sold even to the uninitiated and to those who would be afraid to make direct investments in the field.

Of perhaps greater significance, however, is the leadership taken by corporate fiduciaries in obtaining changes in state laws to enlarge the scope of investment in equities. Trustees have wanted to assume more resonsibility in order to do a better job for the beneficiaries of personal trusts and the move to liberalize laws has met with widespread public favor. It is evident that equities are becoming more and more highly regarded as trust investments. The policies pursued in common trust funds throughout the country typically involve 40% to 50% in common stocks, illustrating the tendency to increase the proportion of equities which has been so pronounced in recent years.

The point of view applied to personal trust investments has been extended to the planning of long range policies for trusteed pension funds. Notably during the past three or four years, the rate of common stock investing has been increased rapidly in the pension trusts administered for the employees of private business organizations. Targets of 25% to 35% in equities are no longer unusual. In the absence of comprehensive data on the subject, there may be differences of opinion as to the amounts being invested, but it is clear that this new source of institutional funds for common stocks ranks in importance second only to the growth of mutual funds. Furthermore, the flow of money into equities should be comparatively stable.

Mutual savings banks are being properly cautious in adding common stocks to their earning assets. The significant fact is not the volume of their current purchases, but the recognition given to equities by changes in state laws. Over a period of years I believe that most of the banks will make full use of the proportion now permitted for equities, and that in due course the percentage limitation will be increased as the regulatory authorities see a sound investment performance by the banks. A market initially in the $200-$300 million range might ultimately prove to be five times that large. Especially in these institutions do we observe the flow into equities of small savings of which almost no part would have reached the market in any other way.

Thus we find that common stocks have reacquired the respectability which they lost during the Great Depression. In fact, with these rather conservative groups of investors they are in better standing than ever before. It appears that at long last the flow of capital is being better adjusted. During World War II personal income and estate taxes were raised to levels which greatly reduced the flow of funds from individuals in the higher income brackets into the market for common stocks. There were no investors to take their places until these new groups were formed or enlarged in response to the persistent demand for equity capital. A larger flow of funds has resulted and should continue for years to come.

Effects on the Auction Market

The several groups of investors which I have been discussing have one common characteristic: they are predominantly investors for yield and long-term capital gains. They have displaced active traders, the so-called "man in the street," and the public following which

Continued on page 35

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

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What's Ahead for Business?

By GARFIELD V. COX*
Robert Law Professor of Finance
The University of Chicago
Chairman of the Board, South East National Bank, Chicago, Ill.

Forecasting a good year in 1953, Prof. Cox discusses effects on business of a Korean armistice. Contends an armistice would not bring a quick reduction in defense spending, but adds that current business situation suggests boom is at its peak. Lists as factors that should limit depression: (1) need for additional capital investment; (2) increase in state and local government spending; (3) continued heavy consumer demands, and (4) improved financial situation and policies of banks and of Federal Government.

Conscientious forecasting is a rather exacting endeavor. This is so partly because the current situation always appears complex and charged with uncertainties, and partly because one is under the strain of wanting to be correct in his prediction while knowing that the chances of being correct are rather slim. It is hard not to feel uncomfortable when people point out one's past errors.

Garfield V. Cox

I decided early that for peace of mind the smart thing would be always to arrange an emotional hedge. This would mean making one's public prediction on one side of the market, and putting one's money on the other side. If the subsequent trend cost him money, he would be consoled by the enhancement of his public reputation. If it hurt his public reputation he would be privately consoled by the money he made. The trouble with this scheme is that to start it requires both money and reputation and, after 30 years, I am still too short of both.

Uncertainties Concerning Spending for Defense

No one need be told the key roll which the Korean War and resulting rearmament have played in shaping business conditions since June, 1950. Now there is talk of an early armistice. Your guess is as good as mine as to whether our young men are about to be relieved of the necessity of further fighting. Obviously the possibilities range from a world wide reduction of international tension to a spread and intensification of war.

Yet, in the face of these uncertainties we must carry on our business as intelligently and effectively as we can. While keeping our positions as flexible as possible we have to make some kind of provisional assumptions about the international situation and its impact upon the American economy. I am going to venture the highly risky assumption that an armistice in Korea will soon be achieved. I shall risk the further assumption that cessation of fighting in Korea will not be followed by our early involvement in fighting elsewhere.

I base the foregoing, in turn, upon three assumptions about the attitude in the Kremlin and in Peiping. First is the probability that the new Russian regime feels the need of time in which to consolidate its position inside the Communist orbit. Second is that it hopes, by giving the Western World a breather, to lull it into a slackening of rearmament effort and to foster dissension among the allies. Third is that the Communist leaders of both Russia and China believe their dogma that, given time, the private enterprise system is bound to disintegrate because of its own inherent weaknesses.

Early Promise of Good Year In '53

Until a week ago opinion had become widespread that, for most lines of business and for business as a whole, 1953 would prove an even bigger year than 1952. The preponderance of this view has not been hard to account for. Both residential and total new construction in dollar terms are thus far running well ahead of the same months last year. The Department of Commerce and the Securities and Exchange Commission released in March the preliminary findings of a resurvey of business plans to spend in 1953 for plant and equipment. The total exceeds by half a billion dollars the $26.5 billion spent last year.

The Board of Governors of the Federal Reserve System has just released preliminary results of its annual survey of consumer finances. To mention that on this campus is like carrying coals to New Castle, for this survey is done annually for the Board by the Survey Research Center of the University of Michigan. It indicates that plans to purchase new and used houses exceed in number those reported a year ago. Intentions to purchase major household items, notably television sets and furniture are considerably more numerous than they were last year. Liquid asset holdings are widely distributed among income classes. So are recent increases in income. With consumer prices relatively stable, the proportion of consumers who feel that their financial position has improved is the largest reported in any of the eight annual surveys to date. Almost half of the reporting non-farm consumers expect their incomes to be maintained or to increase this year. Easier credit terms than those of one or two years ago have also encouraged plans to buy. The proportion of consumers who say they consider this a good year to make major purchases is considerably higher than a year ago. Last year consumers spent only about 92 cents of every dollar of after-tax income. By past standard this is low. The survey findings suggest that consumers may be willing to spend more than 92% of after-tax income in 1953.

Though the new Federal Administration is bent upon achieving economies in government, this will take time. It has until now seemed likely that an increase rate of arms delivery in calendar 1953 would at least offset any other Federal economies achieved during the same period. Meantime the increase in state and local government spending seems certain to continue, with the total for this year running about $1.5 billion greater than that for 1952.

There remains the question whether a slump in business might be started by the efforts of business firms to reduce inventories. Those who have expected such rates of spending for consumers' goods, construction, equipment and national security as we have just outlined, have not considered the risk of a general business effort to reduce inventories to be very great. Although total inventories in the opening months of 1953 have been slightly higher than for the same months of last year, they are larger by less than the rate of sales has risen. If the output of such items as steel and cars were to be cut back just enough to stop the growth in the stocks of them, this would reduce the Federal Reserve index of industrial production by a few points, but would not mean a serious contraction.

In short, the prevalent view among experienced business analysts was, until a week ago, that the first half of 1953 would yield the highest national income on record and a volume of industrial production as great as our peak output in World War II. Meantime our capacity to produce had been so greatly expanded that, without price controls the great current demand could be met at stable prices. Almost everyone agreed that the present rate of spending for plant and equipment, the current rate of residential construction, and the first quarter rate of output of cars are all higher than we can expect to see maintained indefinitely. But there were differences as to whether a significant decline should be expected to begin in '53 or '54, and as to whether this contraction would be mild or severe.

Effects of a Korean Armistice

Now the sudden prospect of an armistice in Korea, for which we all hope and pray, injects a large element of additional uncertainty into our problem of forecasting the short run. An armistice would not be very likely to bring a quick reduction in American spending for national security. But there is considerable chance that it would lead both business firms and consumers to reduce spending in anticipation of the effects upon employment, income and production of an expected later decline in spending for armament. Such a development would be the reverse of what happened in the third quarter of 1950 when consumers and business firms lifted the annual rate of private spending by many billions in anticipation of the increase in government spending which they foresaw.

Whatever may be the immediate effect upon consumer buying and upon inventory policy, hope has probably been strengthened that the rate of spending for national security can be reduced moderately in 1954. How great is the risk that this decline in defense spending would coincide with a reduction in business spending for plant and equipment, and with a decline in residential construction, thus curtailing employment, income and consumer spending and precipitating an industrial depression? Though we cannot answer this question

Continued on page 28

*An address by Prof. Cox before the Real Estate Clinic, University of Michigan, Ann Arbor, Mich., April 7, 1953.

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

Puerto Rico's Program for Progress—Illustrated brochure—Chase National Bank of New York, Pine Street Corner of Nassau, New York 15, N. Y.

South on the March—Bulletin on investment opportunities—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Stock Yields vs Bond Yields—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a brief analysis of **Phillips Petroleum Company** in the current issue of "Gleanings."

Tokyo Stock Bulletin—Prices and activity on Tokyo Securities Exchange—The Nikko Securities Co., Ltd., Foreign Department 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Utility Stock Analyzer—Comparative tabulation of listed and unlisted issues—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y.

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American Box Board Company — Analysis — Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y. Also available are memoranda on **Bank of the Manhattan Co.,** and **J. P. Morgan & Co.**

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

National Tank Company of Tulsa, Okla.—Study—Schneider, Bernet & Hickman, Southwestern Life Building, Dallas 1, Tex.

Pfeiffer Brewing Company—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on **Robertshaw-Fulton Controls Co., Colonial Sand & Stone Co.,** and **Thew Shovel Company.**

Sun Life Assurance Co. of Canada—Connecticut General Life Insurance Co.—Lincoln National Life Insurance Co.—24-year financial comparision—Allen & Company, 30 Broad Street, New York 4, N. Y.

Trans Caribbean Airways, Inc.—Circular—J. Arthur Warner & Co., Inc., 120 Broadway, New York 5, N. Y.

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24-Year Financial Comparison of Three Life Insurance Cos.

Allen & Co., 30 Broad Street, New York 4, N. Y., has prepared an analysis showing a three-way, 24-year financial comparison of Sun Life Assurance Co. of Canada, Connecticut General Life Insurance Co. and Lincoln National Life Insurance Co., respectively, the third, fourth and fifth largest stock life insurance companies, in terms of their insurance in force.

The study, which includes graphs, shows that Sun Life Assurance Co. is below its 1929 level of cash dividend disbursements to stockholders. On the other hand, Lincoln National and Connecticut General, have maintained an upward trend in dividend payments in recent years, and show gains above their 1929 peaks.

Also shown by the study are the market value of the outstanding capital common stock of the three companies and their total admitted assets. The total market value of the capital stocks of both Lincoln National and Connecticut General have risen above their 1929 level in recent years, while Sun Life, the largest life insurance company in the British Empire, with 47% of its assets invested in the United States, is selling below its 1929 high, according to the study.

All three companies since 1929 have shown a substantial growth in their total admitted assets, with Sun Life increasing more than the other two companies. In the same period, the companies increased the total of insurance in force, with Sun Life increasing less than Connecticut General and Lincoln National.

Pointing out that "life insurance companies are perhaps the most difficult to compare, largely because of their very magnitude, complexity and diversity of activities, "the investment firm states that this study is designed "to achieve a long-term view of these companies from the standpoint of an investor."

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COMING EVENTS

In Investment Field

April 16-17, 1953 (Chicago, Ill.)
Chicago Association of Stock Exchange Firms Educational Forum at the La Salle Hotel.

April 20, 1953 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia Dinner Meeting at the Sylvania 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 3-4, 1953 (Minneapolis-St. Paul, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

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

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

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

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

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

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A Clear Case of Financial Malnutrition

By BENJAMIN F. FAIRLESS*
Chairman, U. S. Steel Corporation

Prominent industrialist, asserting steel industry has come up against more challenging problems in the wake of the last election than during past 40 years, because it is now largely free from the squeezing of government agencies and must operate on its own initiative and responsibilities, points out, to serve nation economically and militarily, steel industry must be strong enough to finance vast program of construction and must be healthy enough to withstand financial shock of decline in demand for steel. Holds industry in past decade gained no additional earnings on its heavy new capital outlays, and thus "suffers from financial malnutrition."

During the 40 years that I have spent in it, the steel industry has undergone many difficult changes and has faced some mighty perplexing problems; but never, I think, has it come up against any change more challenging than the one which confronts it now in the wake of the last election.

Benjamin F. Fairless

Today, for the first time in more than a generation, we find ourselves operating in a free economy and in a free market at a moment when our nation is at war. The last time that situation prevailed was in 1918; and few of the men who now head American business and industry were in positions of authority then. The experience is new to us; and so are the heavy responsibilities that go with it.

Throughout most of the past 15 years, our business has been run largely by government agencies in Washington; and we have had little control over our own affairs. Our chief responsibility has been to stand holding the financial bag. We have been told how much steel we could sell, to whom we must sell it, and what price we could charge for it. When things went wrong, the fault usually lay with government, and we were not exactly slow in putting the blame where it belonged.

At the drop of a gavel, we stood ready to mount the public platform and denounce—correctly and truthfully, I believe—the trend toward Socialism. Whenever and wherever we could find an attentive ear, we bent it at length with the news that our individual liberties were being undermined, and that our precious free enterprise system was in jeopardy.

Well, our system of free enterprise is still in jeopardy, I think, but the danger no longer lies in Washington. It lies in our own offices—in the decisions that we make there, and in the way that we meet these new responsibilities that have fallen upon us.

If I interpret, correctly, the temper of the people who spoke at the last election, what they said, in effect, was something like this:

"You businessmen," they said, "have been telling us that government controls are all wrong—even in time of war. You say that you can do a better job of running business, in the public interest, than the government can. Well, all right. We'll give you your chance. We'll elect an Administration that sincerely believes in a free economy—an Administration that will lift these controls, and give you back the right to manage your own businesses. From now on, you carry the ball; but by golly, you'd better run with it!"

And by golly, Gentlemen, we had better run with it—and in the right direction, too; for if we don't score now, we're liable to be benched for a long, long time—and so, I fear, is our system of free enterprise.

*An address by Mr. Fairless before the Triple Convention of Industry Trade Associations, Miami, Fla., April 13, 1953.

Responsibilities of the Steel Business

Now believing this as sincerely and as deeply as I do, I want to discuss with you this morning what seems to me to be the most immediate responsibility that we face together in the light of the newly-won freedom that has come to us. Most of you are engaged in the distribution of steel. My principal responsibility of course is the production of steel. But both of us are sellers of steel, and in that capacity it is up to us to provide the people of this nation with the steel that they need, when they need it, and where they need it, under any and all circumstances.

All of us, I believe, have a right to be proud of the way in which we have measured up to that responsibility in the past. So far as I know, there has never been a time when either the economic or the military security of our nation has been endangered by a shortage of steel. We have always been able to supply the American people with the steel that they needed; but in times of war, and in the aftermath of war, we have not always been able to supply them with all the steel they wanted.

Today, of course, we are in a period of change and uncertainty. There is hope, at last, of real peace in Korea. There is also fear that new conflict may break out in half a dozen other parts of the world. But the one, certain fact with which we must deal in our business at the moment, is that while steel shortages are rapidly disappearing, they still exist in a number of product lines.

Now about three years ago, Congress passed a law which said, in effect, that whenever the military demand for steel was heavy enough to create a shortage or an imbalance of supply, the President should step in and control the distribution of the remainder. And under that law, steel has been rationed by the government ever since.

Top priority, of course, was given to the direct requirements of the armed services and of the atomic energy program. Then—since farmers needed more machines to do the work of the men who had been drafted from their fields, since railroads needed more freight cars to deliver military equipment to its destination, and since factories everywhere needed more electric power, more oil and more coal as they stepped up their production—priorities also had to be given to about 20 "defense-supporting" industries which provided these so-called "essential" services.

But when all these priorities had been honored, only 30 or 40% of our total steel supply remained for distribution among all the other industries we serve, and most of us will agree, I suppose, that whenever the government is going to control the distribution of that much of our total steel output, it might as well control the rest.

Up to this point, therefore, the responsibility for assuring an equitable distribution of steel has rested largely with government; but on June 30 next, this system of controls will be abandoned.

Thereafter, the government will continue to have a legal priority on the steel that it needs for direct use in national defense and in the atomic energy program; and no one, I think, can quarrel with that; for surely that is a right which the government would enjoy at all times, either with or without the compulsion of law. But except for the 12% or so of our production that will go to the government for these purposes; the rest of our steel supply—with minor exceptions—will no longer be rationed, and the responsibility for distributing it fairly among all segments of our economy will rest with us.

Now in my opinion the decision to lift these controls on steel distribution has been one of the most important single contributions that the new Administration in Washington has yet made towards the restoration of a free economy in our country. I realize, of course, that the philosophy which prompted the establishment of this rationing program in the first place has been widely accepted by great numbers of our people; and even among the staunch defenders of free enterprise, there are many, no doubt, who actually welcomed these controls in the belief that they might get a larger allotment of steel through this "governmental assistance" than they would otherwise be able to obtain.

Controls—A Menace to Privately Owned Industry

But to my way of thinking, this system of controls has been, from the start, just about the greatest menace that privately-owned industry has yet faced in America. And in support of that belief, let me merely point out two things:

First, that if the government decides who is to get the steel, then it must ultimately determine how that steel is to be used—what products are to be made from it, in what quantities, models and styles, and even, perhaps, by what processes of manufacture. In times of serious shortage, that would mean virtual government operation of every industry that uses steel as a basic material.

Second, I would point out that if government is to control distribution in times of supposed shortage, it may well decide to control production in times of presumed surplus. In fact that idea seems clearly to be suggested by the language of the law as it now stands; and since there has seldom been a time in the steel business when demand was in perfect balance with our productive capacity, this would mean, in effect, the permanent governmental operation of our entire steel industry—a circumstance which would hardly command the confidence of private capital and would lead, in the end, I suspect, to outright government ownership of most of the productive enterprises in America.

So it seems to me that these controls have led us into far more dangerous waters than we may have realized; but I shall dwell upon this point no further. The controls are being lifted; and there is nothing to be gained from beating a dead horse. I am by no means sure, of course, that the animal is dead, but I have no wish to belabor him. Dead or alive, I merely want to see him buried beyond all hope of resurrection.

And the only way we can accomplish that highly-laudable objective, apparently, is to prove that we can do a better job of distributing steel among our customers than the government has done. Nor should that be too difficult, I think; for we have many advantages working in our favor.

For example, each of us knows the needs of our own customers far better than any centralized agency ever could. We know that a contractor does not need the steel for the top floors of a building when he has not yet begun to dig the foundations for it. We know that a manufacturer who is changing the design of his product, and who is in the process of retooling, will not need as much steel at the moment as he used before or will want again later. And we also know what every housewife in America learned during the last war—that rationing itself tends to create the very shortages that it is designed to cure. So with these advantages on our side—and as long as all of us concentrate our efforts within the proper limits of our respective and familiar fields of distribution—I have no doubt that we shall come a lot closer to fulfilling the requirements of all

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This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

P. Lorillard Company

$22,500,000 Twenty-five Year 3¾% Debentures
Due April 1, 1978

Price 99.20% and Accrued Interest

356,573 Shares Common Stock
(Par Value $10 per Share)

Subscription Price $23.25 per Share

The Company is offering these shares for subscription by its Common Stockholders, subject to the terms and conditions set forth in the Prospectus. Subscription Warrants expire at 3:30 P.M., New York Time, April 28, 1953.

Prior to the expiration of the Subscription Warrants, the several Underwriters may offer and sell shares of Common Stock pursuant to the terms and conditions set forth in the Prospectus.

Copies of the Prospectus may be obtained in any State only from such of the several Underwriters, including the undersigned, as may lawfully offer these securities in such State.

LEHMAN BROTHERS SMITH, BARNEY & CO.

April 15, 1953.

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Why Should We Fear Peace?

By MERRYLE STANLEY RUKEYSER*
Economist, Hearst Newspapers and International News Service

Mr. Rukeyser, in calling attention to recent shifts in economic and political conditions, sees a transition to a new competitive economy, where salesmanship will come into play. Warns against guesswork in judging impact of new conditions, and calls for use of precision tools in forecasting. Holds we are in a stage where situation must be examined industry by industry, and warns what we are facing now is not merely a price movement, but the capacity of a free economy to exist under present world tensions.

This is a return engagement to this Association of Customers' Brokers, and I am glad of it, because the first time we get invited to speak it may be the result of salesmanship and ballyhoo, but, if they ask you a second time, they either have short memories or they didn't dislike you too much.

Merryle S. Rukeyser

I am particularly glad this afternoon to be before what you call "customers' brokers." In my youth they used to call them "customers' men," before we all became so virtuous, and before they had women in the group. But I don't care what they call you. If you are in the selling end of the business, you are the ones I want to meet and talk to, because after years of abnormal conditions growing out of war and preparation for war, we are approaching a stage of normal economy where the salesman is coming back into his own.

We have been in a period for many years of order-taking, and we have not measured the caliber and the fiber of men in business for the last 10 or 15 years. They have been in the position of sitting in little toll booths in the arteries of the national economy, taking their cut—I am talking of tangibles, of course—even though customers bought things largely on their own initiative.

Now we are going to see which ones will survive the coming competitive struggle, and we are going to have a new respect for the salesman. The salesman is going to be the most socially useful member of the national economy, because we have pretty well licked the technology of production. We can not only produce an abundance of civilian goods, but on top of that we can produce considerable quantities of lethal weapons simultaneously. So when armament orders taper off the fellow who can go out and find a customer will be the useful member of the team.

I think it is good for all businessmen to get in the habit of saying "Thank you" for an order, instead of saying, as we did in the war period, "You are damn lucky to have a seat on this airplane."

A More Competitive Period

The country is going through a more competitive period. It is going through a period in which the salesmen, the promotion-minded people, those who are capable of merchandising, are going to be increasingly in demand.

If there is one thing that I learn from my radio mail, it is that this country, believe it or not, is terribly undersold on most everything. I could show you scores of letters from fairly intelligent people, who say, "What is an annuity, and where can I buy one?" You would think, with all of these life insurance agents besetting you, that everybody would know exactly what such contracts are and where you could buy them, but my mail shows that that isn't true. The country is terribly undersold on everything, including the merits of seasoned securities, equities and bonds alike, as well as certain types of packages, readily convenient packages which lend themselves to simplified merchandising. There is a new market for intangibles as well as tangibles.

I don't know why salesmen are not more enthusiastic in selling securities, because they are the only type of purchase that you can make which do not depreciate enormously overnight. Sometimes the intangible does depreciate, but it would not lose one-third to one-half of its value, ordinarily, the way certain of the tangible products do. Although when my first book appeared quite a few years ago, Frederick Vandevanter, the novelist, in reviewing it, said that I answered all the questions in his mind except why stocks always go down right after he buys them.

But seriously, the instruments of saving should be so much easier to sell than the instruments of consumption, because if the instruments of saving are well selected they build up. You can get your money back if you change your mind. If it is in a growth situation, you not only get what you put in, but more.

The public always has a cultural lag, however. They bought Government bonds in 1939 and thereafter because they were told that they were the safest investment in the world. In those days they took the ball away from us, and the radio crooners and comedians became the investment analysts of the period. They told the public what was the finest investment in the world.

Well, there is no "finest investment in the world," any more than there is a good medicine. The medicine that is good for you is the one that meets your needs, psychosomatic or physical, or whatever they may be, and the same is true about investments. The good ones are those that meet your requirements, and the requirements are different. They are different at 25 than they are at 55, and they are different at the tail-end of a boom than they were at the early stages of a boom.

Now, having gone through this experience of inflation, having seen the disappointment of inexperienced bond holders, of holders of high grade bonds who saw them not only depreciate in purchasing power but also in price—having gone through this experience, with the cultural lag, they now conclude that, since these bonds didn't stand up so very well during the last 14 years, we will have nothing of bonds.

I am not at the moment trying to foreshadow what will happen in the market, but I am saying that the reasoning is fallacious and unsound. Because high grade bonds fared poorly in a period of inflation and boom is no reason to assume that they don't meet a need in a period when there is a lull in inflation and there may be some easing off of the boom.

Now, it is unpopular to say publicly that we don't break records every week as we go along. In 1932, when conditions were rather unfavorable in industry, an investment broker in New York called up a movie producer in Hollywood and said, "How is business?" And the movie producer said, "Hardly colossal."

Precision Tools Needed in Forecasting

Now, in measuring whether business is going to be good or bad or whether corporate earnings are going to be better or worse, it seems to me that we must use precise forms of measurement, such as the science of arithmetic, rather than vague words. If we get into a situation where certain types of war-baby situations are no longer as attractive as they were, we might come to altogether different conclusions about protective securities, which don't benefit from inflation but do benefit from an end of inflation—as tobacco. George Washington Hill told me when he first succeeded his father as President of the American Tobacco Co., "I am very bullish on the tobacco situation." "Why?" I said. He said, "Well, I have studied the consumption figures in Cuba, where they have had much longer experience with tobacco than we have had in this country, and the figures show they get the habit worse every year."

As I said, when we face the transition that is coming, we had better do it with a maximum of objectivity, with precision tools, rather than with loose word-usage. As we go into this period of change, let's try to see what the logical sequence of events could be. Our expectations for the coming months and years are somewhat clouded at the moment by the recent passing from the scene of Josef Stalin, with the struggle for power inside of the Politburo and with the new zigzag of the Russian Government, which is making what they call a "peace offensive," although it seems a contradiction of words.

The Russian "Peace Offensive"

What will be the impact of that on our economy? What will be the impact of that on our armament program? What will be the impact on industries which are heavily benefited by the armament program? What effect will this new zigzag have on the announced intention of President Eisenhower during the campaign to make an attempt to get us more national defense per dollar of expenditure? Will he try to push the savings, the dollar savings, further as a result of the Russian "peace offensive" and the possible truce in Korea, or will he go ahead on his own diagnosis and proceed as he would have proceeded even if good old Joe had lived a few months longer?

Those are imponderables. Those are factors that we must weigh in assessing the future. However, when you see an outburst of pessimism because we might stop slitting throats in Korea, it is a little offensive to our sentiment and our judgment.

Those of you who are seasoned in this financial game know that a price rise isn't necessarily socially good or bad; it is merely a price change reflecting supply and demand shifts. For example, if there is a crop failure, an impending famine, an impending social distress, because of an insufficiency of wheat, we expect wheat futures to rush up very rapidly, and when we report that fact we don't say, "Ha-ha! Wheat is rising, it is a wonderful thing for the country." Nevertheless, there is this bias in the public mind, thinking that what is bullish is socially good

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*Stenographic transcript of an address by Mr. Rukeyser before the Association of Customers' Brokers, New York City, April 9, 1953.

Stabilization of Employment Is Good Management

By CHARLES C. GIBBONS, Ph.D.*
Industrial Program Director
The W. E. Upjohn Institute for Community Research

In stating what an individual firm can do in stabilizing employment, Dr. Gibbons points out first task is to work for steady sales and production. Says this objective can result from good management in all phases of the business, with particular stress on work of its personnel department. Outlines his suggestions for stabilization techniques. Concludes a company can guarantee employment or wages only after it has been successful in stabilizing its sales and production.

When a person is preparing an AMA talk, he must ask himself this question: "What can I say on this topic that will be of interest and value to my audience?" After thinking about the field of employment stabilization, about your interests, and about my own ideas on this subject, I decided that what I have to say can be summarized in five simple statements. Rather than keep you guessing, I am going to give you those five statements now:

Charles C. Gibbons

(1) A company can do much to stabilize its employment.

(2) Steady jobs result from steady sales and production.

(3) Steady sales and production result, in turn, from good management in all phases of the business.

(4) The personnel department has an important contribution to make to the stabilization of employment.

(5) A company can guarantee employment only after it has been successful in stabilizing its sales and production.

You will notice that I am not going to make any attempt to convince you that stabilization of employment is desirable. I believe that personnel managers recognize the desirability of providing steady jobs for employees and do not need any selling on this point. If you are interested in proof, you will find it in the many books and articles written on this subject during the past 15 years. Both the American Management Association and the National Industrial Conference Board have published excellent reports on this subject. I shall assume, at this point, that you are convinced of the desirability of steady employment and are interested in knowing what your company can do to provide steadier jobs for its employees.

How Much Can the Individual Firm Do?

There are some who question how much a company can do to stabilize its employment. Such persons believe that a company's employment is determined primarily by general business conditions. Although general business conditions do exert a powerful influence on the operations of a company, most firms can do much to reduce fluctuations in their sales, production, and employment. The American Legion Employment Stabilization Service[1] proved the truth of this statement by a study of 74 companies that had made efforts to stabilize their operations. Before stabilization, the companies had provided jobs throughout the year for only 58% as many workers as they employed during their peak periods. Through their stabilization efforts, these companies increased this figure to 89%.

The success that a company has in stabilizing its operations depends largely on the attitude which top management takes toward the problem. If much is to be accomplished, management must regard stabilization as an important objective. Three companies are best known for providing steady work or wages: the Procter & Gamble Co., the Nunn-Bush Shoe Co., and Geo. A. Hormel & Co. In each of these three companies, the stabilization program was sponsored with evangelistic zeal by the top man—by Col. William Procter and Mr. Richard R. Deupree at Procter & Gamble, by Mr. H. L. Nunn at Nunn-Bush, and by Mr. Jay C. Hormel at Hormel. Real progress in stabilization can be made only if management attacks this problem with the same determination and ingenuity which it applies to other problems of the business.

Steady Jobs Result From Steady Sales and Production

My next point is that stabilization of employment is not a thing in itself but is the result of stabilization in other phases of the business, especially in sales and production. Before companies like Procter & Gamble, Nunn-Bush, and Hormel could offer steady work or wages to their employees, they had to reduce the sharp fluctuations in sales and production. Frequent layoffs in a company indicate that something is wrong, usually not in the personnel department, but in the sales department, the production department, or some other place in the company.

Since all areas of the company are involved, employment stabilization calls for the combined efforts of everyone from top management to rank-and-file employees. Real progress toward stabilization can be made only if most of these individuals have a sincere wish—even a determination—to achieve stabilization.

Steady Sales and Production Result from Good Management in All Phases of the Business

There are two types of instability with which a company must be concerned: (1) instability associated with a general recession in business, and (2) instability due to seasonal or other short-run fluctuations in demand. In both cases, stabilization depends on good management in all areas of the business more than it depends on special techniques of stabilization.

Consider first what a company can do to weather a recession. Interesting information on this point is found in the experience of companies which had difficulty during the depression of the

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*An address by Dr. Gibbons at the Personnel Conference of the American Management Association, Chicago, Ill.

[1] American Legion Employment Stabilization Service. *To make Jobs More Steady and to Make More Steady Jobs.* St. Paul, Minn.: Webb Publishing Co., 1942, page 3.

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Outlook for Business—Not Too Bearish, Not Too Optimistic

By JOSEPH K. HEYMAN*
Vice-President, Economic and Investment Analysis Department
Trust Company of Georgia, Atlanta, Ga.

Southern bank economist, after reviewing trends since Korean outbreak and after discussing present supply-demand relationships, concludes: (1) a moderate decline will take place in total business activity in last half of current year; but (2) full year 1953 will average out at higher level than last year. Cites factors in long-term outlook, and says "there is as much danger today in becoming too bearish as in remaining too optimistic."

Before attempting to appraise the business outlook for the rest of 1953—and for the period further ahead—it will be helpful to review briefly the major economic trends since the outbreak of hostilities in Korea. This period may logically be divided into three stages: the first running from June 1950 to the first quarter of 1951; the second from early 1951 to the middle of 1952; and the third from the middle of 1952 to the present time.

Joseph K. Heyman

First Stage (June 1950 to Early 1951)

When war started in Korea our domestic economy was already operating at boom levels. What we had during Stage One was a super-boom. It was sparked mainly by scare-buying on the part of the public and businessmen who recalled vividly the severe shortages which had developed during World War II. There were two sharp retail buying waves, one climaxing in July-August 1950 and the second in January 1951. Despite sharp increases in retail volume, production increased even more sharply.

Production gains during Stage One were widespread, occurring in consumer nondurable goods, in consumer durable goods and in construction as well as in fields more directly related to defense spending. Federal expenditures for armaments and related items rose from an annual rate of $14 billion in mid-1950 to about $24 billion in early 1951. Business inventories during this same period advanced from about $55 billion to above $70 billion and wholesale prices rose on the average about 17%.

Second Stage (Early 1951 to Mid-1952)

Late in the first quarter of 1951 consumers and businessmen began to realize that the expected shortages were not developing. They suddenly awoke to the fact that instead of shortages most of them had an excess of goods on hand. Stage Two, therefore, was characterized by a sharp downward adjustment in the civilian goods economy—a working off of the excesses which had been created during Stage One.

The main bulwarks to the economy during Stage Two were a rapid rise in the rate of defense spending and continued gains in the rate of capital goods expansion. Federal spending for defense actually doubled during this period, from an annual rate of $24 billion in the first quarter of 1951 to a rate of about $49 billion in the second quarter of 1952. This increase in defense spending was the equivalent of adding to our economy two new passenger automobile industries operating virtually at peace-time capacity.

Despite this sensational rise in the armament industry, total industrial output and wholesale prices were both lower at the end of Stage Two than at its beginning. This seeming paradox is explained by two factors: (1) the shift from a period of sharp inventory accumulation to a period of relative inventory stability, and (2) a severe decline in production of many consumer nondurable goods (such as textiles, shoes and paper) and an even sharper drop in the output of passenger automobiles, television sets, electrical appliances and other consumer durable goods. The final phase of Stage Two was aggravated by the steel strike of June and July 1952.

Third Stage (Mid-1952 to the Present)

Stage Three of the post-Korean period has witnessed a renewed sharp rise in total industrial production, consumer incomes and retail sales, and little net change in most of the price indexes. All major segments of the economy have experienced some rise in output, but this stage has been dominated by an increase of some 35% in output of consumer durable goods. During Stage Three there has been only a modest increase in the rate of defense spending and expenditures for capital expansion have been flattening out. Total business inventories experienced an increase of about $2 billion between August 1952 and February 1953.

Near-Term Outlook — Ex-"Peace"

After reviewing the developments of the past three years and after studying supply-demand relationships at the present time, my conclusions are that (1) a moderate decline will take place in total business activity during the last half of 1953, but (2) despite this anticipated decline, the full year 1953 will average out at a higher level than the full year 1952.

As has been true in most of the years since the end of World War II there are now considerable differences in the position of various parts of the economy. In consumer nondurable goods, for example, our studies suggest that there is no cause for immediate worry. Gains in output of textiles and similar items, following the sharp recession of Stage Two, have been relatively minor, and at the present time production of nondurables appears to be running at a rate lower than consumption of these items.

In construction, also, the near-term outlook is relatively satisfactory despite the probability of decreases in housing and in industrial building. On an overall basis new contract awards are running at a rate which would seem to assure a high level of total construction expenditures for a number of months ahead.

In the important fields of capital machinery and equipment and of armaments, which have been the main expansionary influence in the post-Korean period taken as a whole, the prospects for the remainder of 1953 may be described as neutral (ex-"peace"). Any further slight rise in defense spending will be approximately offset by a moderate decline in output of machinery and equipment as capital expansion programs continue to taper off.

The case for expecting an overall business decline during the latter half of 1953 rests on an analysis of prospects in the consumer durable goods industries. In this field the available evidence suggests that production is running some 10% higher than retail sales (with a resulting rise in dealer inventories), and that retail sales, in turn, have been inflated some 10% by the sharp increase in instalment credit outstandings since the removal of Regulation W last May. For the first time during the postwar period, consumer credit is looking high relative to consumer incomes. It is difficult for me to believe that these double-barreled props to consumer durable goods —dealer stocking and increased consumer borrowing — will continue for more than a few months, and it is therefore my belief that production of consumer durables (taken as a whole) will decline some 20% or so between now and the end of the year.

Although I have not included a discussion of other credit factors in developing this analysis, we should not lose sight of some dangers in the credit situation other than in the consumer credit field. Analysis of the relationship between commercial loans and total business inventories, for example, suggests that in recent months we are considerably increasing our dependence on credit in financing short-term business needs, and this carries with it the germs of vulnerability. And the effect of the resulting increase in interest rates—both long-term and short-term—may well be felt in increased caution by borrowers needing funds for working capital and for plant expansion.

Effect of "Peace"

In considering the effects on the foregoing forecast of "peace" I stress the use of the quotation marks. Even with a settlement of the Korean War and even assuming a continuation of peace-like gestures from the new Soviet government, it is difficult for me to believe our leaders will make any sharp revision in this nation's security plans.

I am one who feels that a genuine peace movement would not be bearish for our domestic economy, certainly not for the long-run. On the other hand, it would be foolhardy to ignore the important role played by the defense build-up on our economy in the last three years and to dismiss completely the possibility of some readjustment in defense plans should there be a genuine peace movement. In brief, it must be recognized that the end of the Korean War and other peace-like gestures might well intensify a downturn which for other reasons appears imminent.

Longer-Term Outlook

Once a downturn in business activity commences it is, of course, difficult to appraise the duration or magnitude. Those of us who have been through the 1929-33 and 1937-38 periods remember that momentum operates on the downside as well as on the upside!

Despite this, however, it is my personal conviction that there is as much danger today in becoming too bearish as in remaining too optimistic.

Population growth and migration is one big reason for avoiding extreme bearishness today. During the '30's our population increased only 9,000,000. Between 1940 and 1950 it increased 19,000,000 and in the present decade, it will likely rise more than 20,000,000, the equivalent of adding one and one-third Canada's in a 10-year period. We all know what this means in the way of requirements for new schools, new roads, new shopping centers, etc. It also means larger markets for existing and new products, and the need for capital equipment to produce such products.

A second important fact is the great progress resulting from technology and research. In 1946 who would have thought it possible that by 1950 we would produce approximately 7,500,000 television sets? Possibly some similar development lies just ahead for room air-conditioning units or some other product still on the drafting boards. We used to say that we had just about everything that we could possibly want, but one of the things we have learned from the postwar period is that there is virtually no limit to what we can use. Given the income and credit, I would guess that every man in this audience already has it figured how he could spend at least $5,000 for products to increase the comfort of his living.

A third, and perhaps the most important, factor to keep in mind in appraising the longer-term outlook is a difference in attitude. Back in the '30's it was indeed rare to find anyone who argued with the theory that our frontiers had been pushed back as far as possible and that our economy was mature. This spirit of defeatism has now given way to one of confidence and faith which alone can go a long way toward confounding the defeatists.

*Partial condensation of a talk delivered by Mr. Heyman at the Annual Meeting of the Trust Division of the Georgia Bankers Association, Atlanta, Ga., April 10, 1953.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Dave R. Benson has been added to the staff of First California Company, Incorporated, Bank of America Building.

Paul B. Monroe Joins R. W. Pressprich & Co.

Paul B. Monroe

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Paul B. Monroe has become associated with R. W. Pressprich & Co., 201 Devonshire Street. Mr. Monroe was previously associated with the Boston office of Harris, Upham & Co. in the trading department.

Bement Hibbard With King Merritt & Co.

BOSTON, Mass. — Bement F. Hibbard has become associated with King Merritt & Co., Inc. of New York City. Mr. Hibbard was formerly a wholesale representative for Value Line Fund Distributors, Inc. and Colonial Associates, Inc. Prior thereto he was with Chace, Whiteside & Co.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE April 15, 1953

100,000 Shares

Texas Electric Service Company

$4.64 Preferred Stock

Cumulative, No Par Value

Price $102.25 per share

plus accrued dividends from April 1, 1953

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Bear, Stearns & Co. — Central Republic Company (Incorporated)

Harris, Hall & Company (Incorporated) — L. F. Rothschild & Co. — Shearson, Hammill & Co.

Shields & Company — G. H. Walker & Co. — Hirsch & Co.

Ball, Burge & Kraus — New York Hanseatic Corporation — Dreyfus & Co.

Blunt Ellis & Simmons — Julien Collins & Company — Hayden, Miller & Co.

The Illinois Company — The Milwaukee Company — John C. Legg & Company

Stein Bros. & Boyce — The First Cleveland Corporation — D. A. Lomasney & Co.

Merrill, Turben & Co. — Rambo, Close & Kerner Incorporated — Schwabacher & Co.

Terry & Company — Townsend, Graff & Co. — Arthur L. Wright & Co., Inc.

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Missouri Brevities

The Union Wire Rope Corp. on March 30 filed a registration statement with the SEC covering 100,000 shares of its capital stock $5 par. The company proposes to offer 50,000 shares for subscription by its stockholders on the basis of one share for each ten shares held on the record date (on March 26, 1953, each former no-par share of capital stock was changed into two shares of $5 par). The subscription price is to be supplied by amendment, P. W. Brooks & Co. of New York is named as the underwriter. The underwriter also contemplates selling a customer of the company 33,000 of the above shares, and to offer for the sale to the public such of the 100,000 shares as are not purchased by stockholders or such customer. The underwriting commission is to be 75c for each share subscribed by stockholders or such customer, and $1.50 for all other shares purchased by the underwriter.

Net proceeds of the stock sale are intended to be added to the corporation's working capital to provide for handling "the anticipated increased volume of business which the management expects to result from its recent expansion program."

* * *

Pickering Lumber Corporation had earnings of about $1¾ million in the fiscal year ended March 31, compared with $2,023,861 in the previous fiscal year. Based on the outstanding 956,118 shares the earnings were equal to $1.83 a share, against $2.12 a share a year previous.

Larger than usual inventories of dry sugar pine carried into the winter months have been liquidating satisfactorily, President J. C. Rassenfoss told stockholders. The March 31 inventory of 31,694,000 feet was carried on the books at $1,300,000, an amount well below the current in-place market value. Ceiling prices for lumber were discontinued in February, permitting the company to make some upward adjustments.

The company is in a strong financial position, with current assets of $4,400,000, including $2,400,000 in cash and governments. Total current liabilities, including $1,200,000 for taxes, amounted to $2,980,000.

* * *

Stockholders of **Spencer Chemical Company** at a special meeting on April 11, approved an increase in the authorized indebtedness to $30 million from the present limit of $17 million. Currently there is outstanding $15 million of funded debt and this will be increased to $25 million through the sale of bonds. The company also has made arrangements for a $3 million stand-by commitment with three banks, the First National of Kansas City, First National of Chicago and First National of New York.

In addition to funds advanced by the three banks the company will sell part of the $10 million bond issue to the Prudential Insurance Company. On the basis of present negotiations, the $25 million of indebtedness would consist of $10,900,000 3½%, $3 million 3¾% and $11,100,000 of 4⅛% bonds and notes, due in equal annual installments beginning Aug. 1, 1956, and ending Aug. 1, 1975.

Proceeds from the new financing will be used to construct a new plant near Orange, Tex., which will have a designed capacity to produce annually 45 million pounds of polyethylene. Based on present estimates, the total cost of the new facilities is about $14 million.

* * *

Despite a healthy increase in sales, 1952 was an extremely difficult year for **Black, Sivalls & Bryson, Inc.**, in maintaining satisfactory profit margins, according to Kenneth W. Lineberry, President. Operations, he said, were hampered by a major steel strike and consequent procurement problems. The cost of materials, supplies and labor continued to rise, yet the selling prices of its standard products were fixed by government regulations.

The conditions that were responsible for a smaller margin of profit are not expected to exist in 1953 and a better return on sales can be expected, Mr. Lineberry noted in the annual report to stockholders.

The 1952 net profit was $1,165,372, equal to $2.18 a common share after preferred dividends, compared with $1,423,639, or $2.87 a share, in 1951. Profits of the Zenite Metals Corporation were included only from the date of acquisition in April, 1951, and the 1952 operations were not profitable. On $5,418,344 of volume of the subsidiary, the net was only $3,550.

Net consolidated sales totaled $32,825,373 in 1952, compared with $27,492,837 in the previous year. The parent company and its Canadian subsidiary contributed $27,407,029 of the 1952 sales, or a gain of 17% over 1951.

Defense contracts accounted for about 12% of the total sales for the year, and the backlog of all contract orders still is high, almost twice the amount that existed at the close of 1951.

* * *

Because of its long experience in producing short film commercials and the central location of its operations, **United Film Service, Inc.**, is in a favorable position to service TV advertisers, W. H. Hendren, Jr., President, stated in his annual report.

Most TV commercials, he said, are on motion picture film. With the lifting of the ban on the building of TV stations and the likelihood of an increased number in the near future, the company had to increase its facilities to meet the demand for films.

"We could not wait to build the complete new plant needed so we remodeled and increased our present studio and service departments," Mr. Hendren noted.

The company will produce and offer its advertising film service in three-dimension when the industry has been better standarized on one three-dimensional process, he added.

Net sales (billings) last year were the largest ever, amounting to $4,381,000, compared with $3,906,000 a year earlier. The cost of sales rose from $2,260,000 to $2,833,000. Net income was $133,000, equal to $1.07 a common share, compared with $125,000 or $1.03 a share, in 1951.

* * *

Sales of **Western Auto Supply Company** in the first quarter of 1953 were 23% larger than a year ago, an interim report revealed. Of the $6,902,000 gain in sales, the retail division recorded the larger share, with a gain of $3,705,000, or 30.3%. The wholesale division's increase of $3,197,000 represented a gain of 18%.

Sales were $36,865,000, compared with $29,963,000 in the like 1952 quarter. The 278 retail-owned stores had a volume of $15,944,000, compared with $12,239,000; the 2,768 associate stores, $20,921,000, compared with $17,724,000.

March's volume totaled $12,558,000, compared with $10,511,000 a year earlier, or a gain of 19.5%.

* * *

Westpan Hydrocarbon Company, one of the four companies that came out of the recapitalization program of Southwestern Development (Mission Oil of Kansas City), in its first annual report showed net income of $546,470, equal to 75 cents a common share.

Each share of Mission Oil common received one share of Westpan.

Exploration activities of the company began late in 1952. It had an interest in eight wells which were started during the year, five of which proved productive.

The first drilling took place in Stafford County, Kansas, where it owns a 25% working interest. Two of the three wells drilled were productive. Leases are held on 2,014 acres in Barber County, 1,440 acres in Pawnee County and 2,800 acres in Sheridan County, on which drilling took place last year. This year a dry hole was drilled on a 2,320-acre tract under lease in Dickinson County.

Gross income was $1,492,503, which included $831,799 as its share of the liquid hydrocarbons extracted from natural gas delivered to Natural Gas Pipe Line Company of America, and $652,631 on sales to the Colorado Interstate Gas Company.

Of the $946,032 costs and expenses, $830,000 was for income and excess profits taxes.

The company owns no gasoline extraction plants or other physical facilities for extraction of liquid hydrocarbon constituents, Westpan either receives the liquid hydrocarbon constituents extracted by others or a percentage of their revenues.

Olin Industries
Ely Walker Dry Goods Com. & Pfds.
First National Bank
National Oats
Miss. Valley Gas
Texas Eastern Transmission
Scruggs-Vandervoort-Barney Com. & Pfd.
Tenn. Production
Natural Gas & Oil
Wagner Electric

Bought — Sold — Quoted

SCHERCK, RICHTER COMPANY
Member Midwest Stock Exchange
Landreth Building
Bell Teletype SL 456 — St. Louis 2, Mo. — Garfield 0225 L. D. 123

Connecticut Brevities

Controlling interest of **Brass Goods Manufacturing Company** of Deep River has been purchased by American Associates, Inc. of Providence, R. I. Brass Goods manufactures metal stampings. Operations, which will continue at Deep River, will be expanded to include new metal items and to engage in defense production.

* * *

Colt's Manufacturing Company reported earnings for 1952 equal to $8.47 a share against $8.20 a year earlier. Sales were up 41% to $16,165,000, largely due to increases in deliveries under Defense Contracts. At the year-end the military backlog amounted to $17,700,000. During the year a number of new commercial products were developed for the packaging market and the food processing industry, as well as a new revolver and a one-piece plastic street lamp globe. At the annual meeting on April 23, stockholders will vote on a proposal to reduce the par value from $25 to $10 per common share and to issue 5 new shares for each present share. Present plans call for a regular dividend rate of $1.00 on the new shares.

* * *

Kaman Aircraft Corporation, whose operations are currently located in Windsor Locks, has leased 20,000 square feet of factory space in Suffield. This plant will be used to house helicopter rotor blade production and will employ about 100. The Suffield plant will be used in addition to the new main plant presently under construction in Bloomfield.

* * *

Stockholders of **Plume & Atwood Company** have approved an increase in the company's authorized capital stock to permit an offering of one share for each four shares outstanding. The stock has a par value of $25 per share. Proceeds from the sale of 13,500 shares will be used for working capital and to purchase new equipment to be installed at the Thomaston plant.

* * *

The Derby Gas and Electric Company has obtained permission from the State Public Utilities Commission to increase its electric and electric steam rates by an amount equivalent to $93,044 a year. The company had applied for an increase of $153,044. The Commission estimated that the new rates will provide a 6.56% rate of return on the net rate base devoted to electric and electric steam operations.

* * *

An agreement has been reached between **General Dynamics Corporation** and **Atlas Corporation** calling for the purchase by the former of 400,000 shares of common stock of **Consolidated Vultee Aircraft.** This block of stock represents 17% of the total and will make General Dynamics, which owns **Canadair Limited**, the largest stockholder in **Convair.** The transaction is to be completed at the time of the annual meeting of Convair stockholders in May.

* * *

A new plant is under construction for **Associated Spring Corporation** at Gardia, Calif., a suburb of Los Angeles. The present West Coast plant which was acquired when **Seaboard Coil Spring** was purchased in October, 1952, is considered too small to meet the demands in that area. The new plant, to contain 60,000 square feet of floor space, will cost about $500,000 and is scheduled for completion later this year.

* * *

Shareholders of **Niles-Bement-Pond Company** approved at their annual meeting plans to increase the authorized capitalization to 1,500,000 shares of no par stock. The unissued stock will be available in the event of acquisition of other companies. The President indicated that the backlog has continued at the level of the 1952 year-end.

* * *

At the annual meeting on April 28 stockholders of **A. C. Gilbert Company** will vote on a proposal to issue two additional shares for each share owned of record May 1, to effect a three for one split.

Hooker & Fay Opens Branch in Oakland

OAKLAND, Calif.—Hooker & Fay, members of the New York and San Francisco Stock Exchanges have opened a branch office at 405 14th Street under the management of Bernard S. Fontaine and Graves D. Hudson, Jr. Both were formerly officers of First Oakland Corporation.

Also associated with the new branch are John H. Bunce, Jr., Edward J. Condon, and Lester M. Grant, formerly officers of First Oakland, and John C. Pedersen and Neil M. Rose who were associated with that firm.

Join Grayson-Eigles

Grayson-Eigles Co., 82 Beaver Street, New York City, announce the appointment of Paul Skok and Mr. Sol Tepper to their sales staff.

New Harris, Upham Branch

OAKLAND, Calif.—Harris, Upham & Co. have opened a branch office at 416 Fifteenth Street under the management of Ferdinand W. Strong.

Waddell & Reed Add

(Special to The Financial Chronicle)

MAYVILLE, Mich. — Clifton J. Riley has become connected with Waddell & Reed, Inc.

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Federal Electric Power—An Evil Force of Creeping Socialism

By HERBERT HOOVER*

Ex-President of the United States

Condemning Federal socialization of electric power as an abandonment of the American way of life and as an expensive experiment to taxpayers, ex-President Hoover calls for end of appropriations for this purpose and lease and transfer of existing plants to private enterprise. Says chief objective should be to get Federal Government out of power business "as soon as possible," and thus curb this form of "creeping socialism."

This is a celebration of the founding of a great institution dedicated to scientific research and the training of engineers and scientists. You seek to sharpen their abilities and initiative for a climate of free men. It is an appropriate time for discussion of some of the forces in our Federal Government which have been destructive of such a climate. In the field of Federal electric power we have an example of 20 years of creeping socialism with a demonstration of its results.

Herbert Hoover

Three years ago the Commission on Organization of the Executive Branch of the Government, under my chairmanship, made an investigation into the Federal activities in electric power. As the Commission was not dealing with public policies, its recommendations were confined to administrative reforms. Even these have not been carried out. The highly critical reports of our staff of accountants and engineers amply illuminated the results of this socialist invasion.

And at once let me state that the present Administration is not responsible for this situation; they inherited it on Jan. 20, 1953.

What Is the American Way of Life?

Before I go into more detail I wish to say something as to what the American way of free men really is.

The socialists, with their ideas imported from Europe, totally misconstrue the unique structure of American life. They envisage it in terms of European societies.

Ours is a system of free men and free enterprise in which our concepts have steadily departed from those of the Old World in two directions.

We have conceived that, to have free men, we must be free from the economic tyrannies which were nurtered in Europe's laissez-faire, dog-eat-dog system of economy.

Free men can no more permit private economic power without checks and balances than governmental power without checks and balances.

The great enterprises of production and distribution can be used for economic oppression. To prevent this oppression of free men, we originated government regulation unique in the world. We regulate rates and services of natural monopolies such as the electric power utilities. We insist upon freedom from trade monopolies and the enforcement of constructive competition. We adopted this economic philosophy 70 years ago in a revolution from European concepts and practices.

And in another departure from European social structures we have developed a far greater expansion of free cooperation between men in community interest. Its extent is without parallel in any other country. It gained force from the necessities of a pioneer people where cooperative action was vital to their existence. Today I dare say we have a million non-governmental organizations for cooperative action in our country. They include thousands of health, educational, sports, musical, social, business, farmers and labor organizations. They have been created without the aid of bureaucrats. In some aspects we could add to these our insurance and savings banks and our corporations in general.

And we hold 10,000 annual conventions of them and survive unending speeches and banquets.

This cooperative system is self-government of the people outside of government. It is the most powerful development among free men that has taken place in all the world.

The Old World, however, went on with its lack of effective economic safeguards for free men and its dearth of cooperation in the American sense. One result was the rise of socialism as a protest.

I emphasize this unique structure of our American economic and social life because it is into this system, far divorced from the old world, that our fuzzy-minded socialists are striving to inject ideas foreign to our concept of life.

And they have made progress with these adulterants. They intrude into many avenues of American life. And they threaten a new oppression of free men greater than the old dog-eat-dog economy.

Tonight I shall appraise the aspects of creeping socialism in the electric power industry by the *Federal Government only.* Rightly or wrongly the State and municipal governments do engage in electric enterprises. But at least their activities respond to the will and scrutiny of local government.

Nor do I include the Rural Electrification Administration in this discussion although it receives great government subsidies. It has worthy purpose, but that operation is so small a per cent of electric power in the country that it cannot eat up the industry.

Private Enterprise in Electricity

In the electric field there are certain transcendent facts.

First: Under the initiative of free men we developed the technology and use of electricity far beyond any other country.

Second: Stemming from private enterprise, we have created a per capita supply of electrical power for our people three times that of the combined Western European nations and 11 times the average of the whole foreign world.

Third: Private enterprise could keep in pace with demand, and could have more advantageously distributed the power from Federal water conservation projects.

Fourth: With our advancing technology and individual initiative, the average price of household electric power is sold today by our private enterprise utilities at one-third of the price of 30 years ago—and that is while most other commodities and wages have increased by 50% to 100%. There is no such parallel in any other commodity.

Despite these results from a free economy, these concepts of free men were abandoned 20 years ago when the Federal Government entered into the socialization of electric power in a big way.

The Method of Socialization

The device by which our Federal bureaucracy started to socialize this industry was through the electric power from our multiple-purpose water conservation dams. We needed these dams. And we need more of them. They were built to serve navigation, flood control, irrigation and domestic water supplies and to provide electric energy. However, the central quetion here is not the creation of this electric power but using it to promote socialism. The first step toward socialization was taken when the Federal Government undertook itself to generate and distribute this electric power from multiple-purpose dams. And now the Federal Government has taken further socialistic leaps by building steam and hydro plants solely for the generation of electric power.

Up to 20 years ago we avoided socialism by selling the energy at the dams to private utilities and irrigation districts. The government received a return without incurring operating expenses.

Let no one misinterpret my views on water conservation. I have been for 30 years an ardent exponent of multiple-purpose dams. I can claim some credit for the first gigantic multiple-purpose dam in the United States. That one is in the Colorado River.

But again, on the Colorado we avoided socialism by stipulating that before construction began the energy should be leased to the private utilities and municipalities. And we contracted to sell it at a rate which provided for interest on the government investment and the complete repayment of the investment within a period of 50 years. The consumers over these 17 years since have found no cause for complaint from that arrangement.

The March of Socialism

Do not think these Federal electric enterprises are small business.

Twenty years ago the total generating capacity of electric power from Federal dams was about 300,000 horsepower. It was about ⅔ of 1% of the total electric generating capacity at that time.

As some people are confused by the technical terms "kilowatts" and "kilowatt hours," I have translated them into horsepower.

By the middle of 1953, the Federal Government will have a generating capacity of about 15,000,000 horsepower. That is about 12% of the utility generating capacity for sale to the public. Federal power is already being sent into 27 states.

But far beyond this, there are Federal generating plants in construction or authorized by the Congress, making a total of over 200 plants which will bring the total up to about 37,000,000 horsepower. If completed the Federal Government would be furnishing somewhere from 20% to 25% of the electric utility capacity of the nation. The cost in capital outlay to the taxpayer will be about $10 to $11 billion, plus some great deficits in promised interest and other returns.

But that is not all. Further projects have been recommended to Congress. And still more are contemplated in government reports. If they were all undertaken, it would bring the total to about 90,000,000 horsepower.

This bureaucracy now employs 33,000 persons and is increasing every day. And if all these dreams were realized, their employees on the Federal payroll will likely exceed 200,000.

But even this is not the whole story. Lest anyone thinks this is good for us, I may point to some of the already evident consequences of socialized electric power.

Expansion by Duress

Under the irresistible nature of bureaucracy and the backing of the socialists every one of these Federal enterprises becomes a center of encroachment upon or coercion and absorption of the private industry. For instance, by the threat of WPA gifts and low interest rates on loans to muncipalities, private enterprises were absorbed at less than their worth.

Great duplicate transmission lines have been built and more are contemplated.

Some of these government enterprises are given the power of eminent domain by which they could seize transmission lines and sub-stations of competitors and, if the owner refuses their price, he can pay lawyers for years to fight for compensation in the courts. Free enterprise never had such a privilege.

Some part of the heavy taxes on private utilities goes to build up and support their Federal competitors.

Private enterprises have been prevented from undertaking certain hydro-electric developments in favor of the government agencies.

These manipulations and powers threaten and weaken the ability of many private concerns to finance their needed expansions.

Indeed some of them with these guns pointed at them have already thrown up their hands.

Socialization in other directions has been injected into these projects. For instance, the provision that water will not be supplied to farms of over 160 acres in some of the California Central Valley operations. Apparently all others are Kulaks. Also, some of these Federal power enterprises, with cheap Federal capital and subsidized power, are engaged in manufacturing business in competition with private enterprise.

Freedom from Taxes

These Federal enterprises and their distributing allies pay no taxes to the Federal Government and comparatively little to the local governments. In the last fiscal year the private enterprise utilities paid over $750,000,000 taxes to the Federal Government and nearly $470,000,000 to the state and local governments. The actual Federal electric enterprises paid less than $5,000,000 toward state and local taxes.

Obviously there is here a huge burden thrust onto every taxpayer throughout the nation. It will be much greater if the 37,000,000 horsepower program is completed.

Nor is this all of the burdens thrust upon the nation-wide taxpayer as I will show you in a few moments.

Unkept Representations to the Congress

In many cases the cost of constructing these projects has been woefully underestimated. For instance, the Colorado-Big Thompson project was originally estimated at about $44,000,000, but is costing over $160,000,000. The Hungry Horse project originally estimated at $39,000,000 will cost over $109,000,000. Work has been started on the Oahe project. It was originally estimated to cost about $72,000,000. It is now estimated that it will cost $293,000,000.

Some of the increased cost has

Continued on page 32

*An address by Mr. Hoover at the Diamond Jubilee of the Case Institute of Technology, Cleveland, O., April 11, 1953.

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Coming Developments In Labor Relations

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

Prof. Slichter discusses labor relations trends and the prospects for continued growth of labor organization. Says government encouragement to labor to organize has not been abandoned, but is being supplemented with the policy of control. Holds role of trade unions in foreseeable future will be very much what it has been, and labor organizations show no interest in taking over managerial matters. Contends a large and powerful labor movement could cause nation great difficulties in event of a long deflation period, and, therefore, urges economy be kept stable.

I

The change in Administration in Washington, the change in the leadership of the American Federation of Labor and the CIO, and the change in the general economic situation all tempt one to declare that the country is on the verge of a new era in labor relations. I think that this temptation should be resisted. Important changes are occurring in labor relations, but the most important of these began at least six years ago and is independent of the changes in Administration, in the leadership of the two great federations, and in economic conditions. One should bear in mind at all times that labor relations in the United States are rooted in fundamental characteristics of the American environment and that these underlying determinants of industrial relations change very slowly. Even when conditions change, the influence of by-gone conditions on men's attitudes does not suddenly cease. Finally, some important recent changes in the economy, such as its growing capacity to increase productivity and the gain in its stability, have tended to strengthen rather than alter the traditional characteristics of unions and of union-employer relations.

Sumner H. Slichter

As I develop these remarks, I shall call your attention to various conditions which seem to me to be molding labor relations in this country, but at the very outset I wish to call your attention to two conditions that will be of decisive importance in the near future. One of these conditions is simply an expectation—it is that circumstances during most of the next few years will be favorable to bargaining from the employee point of view. The second condition is a realized state of affairs, namely, that trade unions are far more firmly established in the community than ever before, that they possess far greater economic power than ever before, and that the economic power of many unions is so great that the problem of how to protect individuals, employers, other unions, and the community as a whole from the abuse of this power is one of the major social problems of the time. If the first of these conditions is not realized and if the second ceases to be true, then my discussion of coming developments in labor relations will be wide of the mark.

It is convenient to discuss the topic under four principal heads: (1) the outlook for organization; (2) the outlook for bargaining methods and results; (3) the role of unions in the community; and (4) public policy toward industrial relations.

II

The Outlook for Organization

At the present time about one-third of the non-professional, non-supervisory, and non-military employees of the country are organized—about 15 million out of about 45 million.[1] This is a rough estimate because the Department of Labor has never provided the country with reliable figures on trade union membership. That is a shocking fact, but it is true. In the last few years the growth in union membership has been slow — the AFL has gained about 1.2 million members, or 16%, since 1945, but the CIO and the independents have made little headway.[2]

I expect that union membership will continue to grow, but that the growth will be slow. I expect union membership to grow because there are many well-established unions trying to increase their membership, and I believe that they will have some success. I expect the increase in membership to be slow because the workers who are easiest to organize have already been organized. These are the workers in the skilled trades and in the large enterprises — the big concerns in the automobile, steel, rubber, electrical products, meat packing, aluminum, railroad, and other industries which are large enough to have public relations and which could not afford to continue any longer the methods by which they kept out unions. Increases in membership must be gained among the workers in small plants where the managements can sometimes afford to be quite tough in resisting organization, among the white-collar workers who still consider themselves above unionism, and in the South where many communities are hostile to unions.

Will union membership gradually become more and more concentrated among a few large unions? I have not studied this question sufficiently to be able to say much about it. At present six large unions (the teamsters, the automobile workers, the steel workers, the machinists, the carpenters, and the miners) have nearly 35% of all union members. There has been no steady trend toward concentration. Back in 1900 the six largest unions had 38.7% of all union members—about the same as now. By 1920, the six largest unions had 32.6% of all membership, and by 1929, only 29.3%.[3] It is quite uncertain whether the recent movement toward concentration will continue. Two of the large unions, the carpenters and the miners, have quite limited opportunities for growth and may not be among the big six in another ten years. In fact, the miners are likely to decrease in membership. The automobile workers, the steel workers, and the machinists have moderate opportunities for growth, but these opportunities are all in an area that is pretty well organized. Some of these unions, however, may succeed in taking over all or part of the unions in the electrical products and argicultural implements industry. The one large union which is in a good position to expand in the great unorganized parts of industry is the teamsters' union. Within a decade, I should expect the teamsters to be by far the largest organization in the American trade union movement. In addition to making big gains in the distributive and service industries, the teamsters may take over a considerable proportion of the workers on the waterfront. Two million members in this union by 1960 would not surprise me. But if membership in the teamsters' union rises to two million and total union membership to 18 million or 20 million, the teamsters would have only a slightly smaller proportion of all union members than was possessed by the miners in 1900, and a slightly larger percentage than was possessed by the carpenters in 1929.[4] My conclusion is (1) that the teamsters' union may well achieve greater importance in the trade union movement than any single union except the miners has ever achieved, but (2) that the proportion of union membership concentrated among the largest half dozen unions is not likely to change appreciably.

What new unions are likely to be among the big six in another ten years? The two unions with the greatest possibilities of growth are the retail clerks and the textile workers. Each faces formidable obstacles. If these obstacles can be overcome, the retail clerks and the textile workers will join the country's largest unions.

III

The Outlook for Bargaining Methods and Results

Five questions under this general heading seem to me to be particularly important: (1) will long-term contracts spread; (2) will the automatic adjustment of wages to changes in the cost of living or to an improvement factor spread; (3) will the annual wage or some variation of it be widely introduced; (4) will industry-wide bargaining become quite usual; and (5) will wages rise faster than output per man-hour so that labor costs per unit of output rise.

(1) **Will long-term contracts**

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*An address by Dr. Slichter at the Labor-Management Conference of the Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa., April 10, 1953.

1 In April, 1950, the "non-organizable" part of the labor force consisted of about 18.4 million persons distributed as follows:

Self-employed & managers.	10,975,000
Professional workers	4,457,000
Unpaid family workers..........	1,675,000
Armed services	1,330,000
Total	18,437,000

The total labor force in April, 1950, was 63,513,000. Hence the number of organizable workers was about 45.1 million. This figure is high by a small amount because there are some employees in the public service who are probably not organizable. My figures assume that white-collar workers below the supervisory and professional ranks are organizable. I believe that this assumption is correct. Since April, 1950, the labor force has increased by about 2.5 million, but about 2.2 million of the increase have gone into the armed services. Hence, in the last three years there has been little change in the organizable part of the labor force.

2 Although the growth of union membership has been slow, there has been no drop in representation cases handled by the National Labor Relations Board.

3 The figures are derived from the figures in Wolman's, *Ebb and Flow in Trade Unionism*. The estimates for the several years are:

	Total Union Membership	Membership of 6 Largest Unions	% of Members in 6 Largest Unions
1900....	868,500	335,800	38.7
1920....	5,047,800	1,6[illegible]9,000	32.6
1929....	3,442,000	1,008,200	29.3

The unions among the six largest have changed from time to time, but in every one of the selected years the carpenters and the miners were among the six largest unions.

4 In 1900 the miners, according to Wolman, had 115,500 members out of a total union membership of 868,500; in 1929, the carpenters had 322,000 members out of a total union membership of 3,442,000.

White House and Labor Disputes

By DR. JOHN R. STEELMAN*
Consultant, Washington, D. C.
Former Assistant to President Truman

Former White House labor counselor reviews history of presidential intervention in labor disputes, and records Theodore Roosevelt was first to call on both parties to bring about labor peace. Says machinery for a positive government labor policy was not established until World War I, with creation of War Labor Board and later, the Wagner Act. Cites White House influence on industrial peace in the inter-war period and passage of the Wagner Act. Concludes public interest is best served when labor and management accept responsibilities for the key-role each plays in the national economy.

It has now been three-quarters of a century since a President of the United States first intervened in a labor dispute. The road by which controversies wind up at the White House has had many turnings since that day, a dozen years after the Civil War, when President Hayes called out the troops to quell the great riots of 1877. Then, for the first time in our history, the nation was in the throes of a wide-spread industrial strike.

John R. Steelman

The story, of course, is a familiar one to students of labor history. Caught in the depression following the Grant era, the railroads thought it necessary to cut wages. Disorder followed, breaking out first in Martinsburg, W. Va., and then in Philadelphia, later spreading to Ohio, Indiana and elsewhere.

The President, pressed with urgent requests for assistance, held daily meetings with his Cabinet, and finally dispatched troops to restore order. On a day he later referred to as "that awful Sunday" he remained in constant communication with the troops. Order was quickly restored, but the President noted in his diary that the restoration of order alone did nothing to settle the dispute. "The strikes have been put down by force," he wrote in his diary, "but now for the *real* remedy. Can't something be done by education of the strikers, by judicious control of the capitalists, by wise general policy, to end or diminish the evil?"

The question has been asked by Presidents and lesser men thousands of times since that day. But now, as then, there is no unanimity of opinion as to what one means by "education of the strikers" and "judicious control of the capitalists"; nor have we yet arrived at that millenium under which we shall have complete agreement, either politically or in the area of labor and industry relations, on what is always "wise general policy."

The perspective of history, however, can give us good counsel as we seek the answer to this perennial question and develop further the machinery to promote industrial harmony.

The history of Presidential intervention in labor disputes, in fact, provides candid illustration of the mistakes as well as the progress we have made in the achievement of labor-relations compatible with the economic welfare of the nation.

Landmarks in White House Intervention

Let me briefly review some of the landmarks in the history of Presidential intervention. The story is not altogether a proud one, but I believe the record viewed from the beginning until now is a heartening one on the whole. I hope, too, that the account of what is past may provide guide lines for a sound advance.

No two Presidents, from Hayes until now, have handled emergency strikes in the same manner. The disputes themselves have been in great variety and have presented many different kinds of problems. Presidents usually have been reluctant to intervene, and I think properly so, for the great prestige of the Presidential office would be diminished, and the chance of averting at some future time a strike of grave consequences might be jeopardized, by too frequent use of Presidential influence in disposing of labor problems.

President Hayes acted in response to the pressure of outraged public opinion. Today, fortunately, a body of law provides the criteria under which Presidents may act, and, in addition, sets up machinery for ending disputes, if possible, short of White House intervention. Today, the goal of labor relations, public opinion and the law are the same on at least one point: settle the dispute *before* it reaches the White House.

Nevertheless, now, when a crisis threatens as a result of a work stoppage or the danger of a stoppage, the public looks to the President for help. The public feels, and increasingly I believe, that the President is the voice and conscience of the public interest; they look to him as the ultimate source of power on behalf of the national welfare in any crisis, including industrial strife.

When Hayes was President, we were still in our industrial adolescence. Organized labor, far from enjoying either wide-spread public sanction or legal recognition of any kind was looked upon—and not alone by "capitalists"—as a sinister influence. So unpopular was the position of the strikers in this, the first of the important railroad strikes in American history, that Secretary of State Evarts raised the question in Cabinet of whether the rioters (not one and the same as the strikers necessarily) were waging war against the country. The suggestion, history records, was somewhat favorably received, and consideration was given to drafting a Presidential proclamation on the subject. It is to the credit of the government that, in spite of the temper of the times the proclamation was never issued.

The railroad strike of 1877 is, of course, important in any study of labor relations, not only because it marked the first occasion for Presidential intervention in a labor dispute. It was the beginning, in effect, of a new era—one in which labor problems, far from being local in impact, could threaten hardship for people far removed from a strike scene.

The next 50 years, evolutionary years in the growth of unionism and the humanizing of public attitudes, found the people turning more and more to the President for

Continued on page 22

*An address by Dr. Steelman before the Labor Relations Council of the Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pa., April 10, 1953.

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From Washington Ahead of the News

By CARLISLE BARGERON

In his later years I used frequently to run into Senator Jim Watson, long time Indiana Republican leader and leader of the Senate under Hoover. I said to him on one or two occasions that we Washington newspapermen owed him an apology because we used to make headlines from his off-the-cuff remarks. For example, he once said while he was Senate leader under Hoover that it was impossible to stand behind a corkscrew; another time he said it was impossible to stand behind a man with the St. Vitus Dance.

Carlisle Bargeron

We fellows gave plenty of publicity to cracks of this kind as evidence of how the Republican party was split. When in his later years I told the Senator I thought we had taken advantage of him in publicizing these off-hand remarks, he would say quite seriously:

"Don't you worry about that in the slightest; there was never a time when I was talking to a newspaperman that I didn't know that was whom I was talking to." The point of this wise old political bird was that, notwithstanding their professions of keeping confidences, he knew the Washington newspaper gentry quite well and never said even howdy do to one of them unless he expected it to get into the papers.

A contemporary of his, Senator David A. Reed of Pennsylvania, who died only recently, one of the ablest men who ever served in the Senate, became irretrievably unpopular with the Washington correspondents when on one occasion he referred to the "alleged ethics of the alleged profession."

My thought has long been that instead of the Washington correspondents resenting what Reed said and flinching under what Jim Watson said, they should take some stock of themselves. They are well paid men, they rank in Washington society, usually they report to their publishers over the heads of their editors and managing editors. Generally speaking, their jobs rate as choice assignments, something to which nearly every reporter coming up on the paper aspires.

But there is a question as to whether in their Washington reporting with its tremendous responsibility, particularly now that we are "global leaders" charged with leadership in world affairs, etc., they have gotten far enough away from the police reporting technique.

A recent episode comes readily to mind. Secretary of State Dulles, whether through lonesomeness, a desire to send up a trial balloon, or whether through downright naivete, had a group of Washington correspondents—he can't have them all; there are more than a thousand of them along with the radio commentators—to dinner and told them for background, meaning they could write interpretative stories without attribution to him or anybody else, that the U. S. would settle the Korean War for a compromise at the narrow waist of the peninsula, and then there seems to be some doubt as to whether he said that Formosa would be written off under a trusteeship of the United Nations.

The stories were duly written without disclosure of their source by the assembled correspondents with their various embellishments. One, in the New York "Times," with unusual embellishments, got a quick repudiation from the White House. Then the correspondents concerned, just itching to tell their source, first told it in a fraternal way to their colleagues who were not invited to the party. These colleagues took the questionable attitude that inasmuch as they were not present at the party, they had a right to speak freely. Whereupon Dulles was disclosed as the source.

In this way, the Washington correspondents developed a first class clash between the President and his Secretary of State. It made for headlines, for good racing reading. Outside of the newspaper-conscious East it registered very little with the voters, it will not change their attitude towards the Administration, but the foreign governments interpret this country on the basis of what they read in the Eastern newspapers. What are they to think?

This correspondent has traveled pretty much over Europe and everywhere he has found, including in this country, that the correspondents of foreign countries collaborate closely with the embassies. They try to be helpful to, if not agents of their embassies in international relations. American correspondents are seemingly perverse. In their social rounds of foreign embassies in Washington they are inclined to be critical of their own government officials, they go out of their way to regale their foreign hosts with amusing and critical stories of members of Congress and other government officials. Their hosts are frequently amazed at them. In foreign countries the American reporters are inclined to be as skeptical of their own embassy as they are of the country they are reporting about.

All this may come under a healthy and critical freedom of the press. But it is not cricket when a group invited to dinner and bound by the rules of good conduct, seek relief by telling colleagues the source and content of their information in order that the colleagues can publish it and they then can come in with virtuous pretensions of having been relieved of their restraints.

The Flustered Forecasters

By J. A. LIVINGSTON*

Financial Editor, Philadelphia "Bulletin"

Financial editor reveals study he made of market predictions of forecasters, and says results show majority were wrong. Holds we're at top of the boom and looks for production to fall 20% —but says question is: When?

Sooner or later, financial analysts, as a group, are going to be right. This time last year, meeting in San Francisco, members of the National Federation of Financial Analysts Societies forecast a 2% decline in stock prices by the end of 1952. Stock prices actually rose 10%.

J. A. Livingston

This year financial analysts are still feeling for the postwar downturn. They think that the seven-year boom since the surrender of the Japanese is due to peter out. They're mildly bearish for the rest of 1953. They're increasingly bearish for 1954.

Specifically, the analysts figure that the Federal Reserve Board index of industrial production will decline from its present level of 241 to 229 by December, and then continue down to 217 by December, 1954. That's an overall drop of 10%.

As for the stock market, the expectation is that the Dow-Jones industrial averages, now around 275, will go down to 270 by the end of the year and continue down to 251 by the end of 1954. That's an overall drop of 9%.

Bearishness Cumulates

Bearishness increases with time. Only 37% expect a decline this year, whereas 35% count on a rise; 28% anticipate little change. But 58% bet on a lower market by the end of 1954. Only 29% figure on a rise.

A Chicago analyst wins the prize for optimism, predicting 500 in the Dow-Jones for 1954. A New Yorker is the outstanding pessimist—betting on 140.

In all, 400 forecasts were obtained in answer to my postcard questionnaire. But some forecasters indicated their doubts about their own long-way-off predictions.

One said: "Forecasts are seldom better than guesses. More money can be made consistently by following rather than forecasting the trend." That still assumes that you know the trend when there is one.

Another forecaster declared that anyone who forecast as far ahead as 1954 is "insane." He proved his sanity by not going beyond 1953.

One analyst signed his name to a blank card.

Another offered this professional investment advice: "Buy good gold shares." The inference is business will fall off sharply, prices and costs will drop, and therefore gold-company earnings will rise because the government pays a fixed price—$35 an ounce—for gold.

"Follow the Trend"

Forecasters are guided by the latest events. They unconsciously follow the trend. I mailed out the questionnaires about the middle of March. Those that came in promptly were less pessimistic than those that were returned later.

What happened in the interim? Premier Malenkov of Russia openly stated that the United States participated in World War II. The Chinese Reds made an offer to exchange prisoners of war. International tension lessened.

Undoubtedly analysts reasoned defense expenditures could be cut, therefore a recession might come sooner than expected. The market, itself, was a factor, no doubt. As stocks dropped on the "peace" news, the forecasts for 1953 and 1954 seemed to become more pessimistic. This raises a question: Do financial analysts influence the stock market or does the stock market influence analysts?

I took soundings on two other economic measures. I asked what would happen to wholesale prices. Here the consensus was for a drop of 10%. I also asked about the trend in interest rates. Here, the expectation was that yields on the highest-grade corporates would rise from 3.08% to about 3.20%. The recent issue of a 30-year Treasury bond bearing a 3¼% coupon is in line with this expectation.

Forecasters 66⅔% Wrong

The problem before investors and financial analysts themselves is whether to pay any mind to these forecasts. If they do, then they'll be betting on a one-to-two shot. I have kept score on the stock market forecasts of a group of economists since June, 1946. The forecasters were wrong 66⅔% of the time—that is, two forecasts out of three.

But, of course, when a financial analyst deals with his clients, the odds are just the reverse—in his favor. The stock market can move up, down, or sidewise. If a financial analyst is a bull he's only wrong when the market goes down. He says he's right when the market goes up or stays sidewise. A bear is right when the market goes down or goes nowhere.

That's why it's always so hard to find anyone who has been wrong in Wall Street. My great misfortune is that I have the record. I've kept track.

"At Top of the Boom"

As for my own forecast, I think we're at the top of the boom. The Administration is deeply concerned about the continuance of inflation. It has put out a long-term bond issue to sop up excess currency.

The prospect of expanding defense expenditures gets slighter with each conciliatory Russia gesture. I'd not be surprised to see stocks decline to 212, which was the resistance level on the high side in 1946. And I would not be surprised to see industrial production fall 20%, which would mean down to 200 in the Reserve Board index. The big question is, When?

I can only answer that by saying, when the automobile market gets saturated. It's close to that now. The decline could come this year. It might not come until next. But it seems to me that the probabilities, after one of the longest expansionary phases in history—since 1938, or 15 years—are in favor of recession before the U. S. economy can gather strength for another upward push in the over-all level of living standards, production, and employment.

*Summary of a talk by Mr. Livingston before the National Federation of Financial Analysts Societies, Philadelphia, Pa., April 13, 1953.

Benjamin Philipson Forming Own Firm

UTICA, N. Y.—Benjamin Philipson is forming Benjamin Philipson Co. with offices at 35 Kenyon Court to engage in a securities business. Mr. Philipson was formerly a partner in Philipson and Company.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Robert S. Todd has been added to the staff of E. F. Hutton & Company, 10 North Garfield Avenue.

Joins Keyston Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—George N. Keyston, Jr. has joined the staff of Keyston & Co., 155 Sansome Street.

This is not an offering of these Shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such Shares. The offering is made only by the Prospectus.

100,000 Shares

Agricultural Insurance Company

Capital Stock $10 Par Value

Rights, evidenced by Subscription Warrants, to subscribe for these shares at $30 per share have been issued by the Company to holders of its Capital Stock of record April 14, 1953, which rights expire April 29, 1953, as more fully set forth in the Prospectus.

The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, during and after the subscription period, may offer shares of Capital Stock as set forth in the Prospectus.

Copies of the Prospectus may be obtained from any of the several underwriters only in states in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

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April 15, 1953.

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Korea and Your Job

By ROGER W. BABSON

Mr. Babson, pointing out chances of peace would be greatly enhanced by a Korean armistice, looks for some deflation. Notes demand for workers has lessened and holds depressions appear necessary to correct waste, inefficiency and dishonesty developed in good times.

A truce merely means cessation of fighting to ascertain if terms for peace can be arranged, but chances for peace are, of course, greatly enhanced by an armistice. If peace should come in Korea what would it mean to the average American? Perhaps the most immediately important effect would be the loss of overtime and other extras which have come to be considered as fixed wages. Some families are already frantic, especially those with teen-age children, who claim they will be "disgraced" if the car, or television, or fur coat is taken away from them. During a truce these people, at least, will be cautious about future instalment commitments.

Roger W. Babson

Peace in Korea does not mean that our rearmament program will be cut down this year. Already too many families are cutting down on meats, doctors, dentists and other expenditures which the neighbors do not know about. This explains the record decline in the sale of some commodities, due, in part, to a fear of Korean Peace.

It certainly seems as if some manufacturers of products now sold on shaky instalments will sometime be headed for trouble. As these goods are taken back and repossessed, the stores where they were purchased may buy fewer electrical appliances, furniture and fur coats. If so, this may cause manufacturers to reduce their employees and hence cause some unemployment. But it is a mistake to get frightened about this now.

Just as prosperity rolls up like a snowball when employment is increasing, the snowball quickly melts when unemployment gets under way. We are now in the first stages, with the cutting off of overtime and perhaps one shift. Deflatiton has already taken the place of inflation. The 53 cent dollar which I advised "buying" during 1952 is already worth more.

Depressions Appear Necessary

I dread going through another period of unemployment, but I really believe that such may someday be necessary to correct the evils of waste, inefficiency and dishonesty which develop during "good times." Unfortunately, we learn only through adversity.

Furthermore, the sooner such corrections take place, the better off we all should be. Those who now give their best to their employers will be the last to be laid off, if ever. The first to be discharged are the lazy clock watchers who, when applying for their jobs, asked: "What's the pay? How many hours? Do I get Saturdays off, and what about coffee?"

Better Chances For Youth

Young people claim that they have not the opportunities which their parents had. They talk about the "big corporations" doing all the business and supplying all the jobs, affording little chance to small businesses. I don't admit this to be true. There are more opportunities now than ever before for young men to go into business for themselves if they will work 10 hours a day, for six days a week, and save money, the same as I had to do.

Good salesmen are needed now more than ever. **Good** salesmen backed by good advertising are the life blood of every business. They need no labor unions and are always well paid. They are never found amongst the unemployed. Hence, for their hard work "pounding pavements and ringing door bells" they need not ever fear being caught by instalment purchases or any financial difficulties, under any conditions. In view of the news from Korea, these salesmen should now work harder than ever. In short, I believe we may sometime suffer from unemployment, but a Korean Peace need not bring this about. The Free Nations will still be fighting Russia's determination for World Supremacy. Therefore, no one should now get panicky over the prospects for a Korean Peace. We should think of our boys over there and thank God for the hopes of peace.

THE MARKET... AND YOU

By WALLACE STREETE

Stock trading settled back this week, giving the list a breathing space. Rallying tendencies were apparent and, while they didn't get far, nevertheless it was welcome that there was no urgent selling for a change.

In fact, considering the shakeout the list has gone through so far this month, the performance, while not especially cheering, was at least encouraging. It was inevitable that there should be some milling around if the list is to form a solid base for any recovery.

From the peak early this year the decline of the industrials has been 8%, or a full two-thirds retracing of the year-end advance. This, traditionally, is the maximum correction if the bull market is to continue later this year. It might be noted that the break at the outbreak of the Korean War in mid-1950 was a 16% retracement.

As has been the case for many months, the market was concerned mainly with individual situations responding to special circumstances, good earnings or extra payments. Some of the slight dips in first quarter earnings were taken well in stride, most having been well anticipated and already discounted in the selling early this month.

Rails, which a large segment of market opinion considers the vital group, showed nothing decisive and the play was left with the secondary issues for the most. It was surprising, consequently, to find the steels coming to the fore because of the widespread expectation of price increases for the steelmakers.

What Bottom?

The decisive question of whether the market has reached its low for the current move has yet to be answered. The 272 level, which chart opinion considered the bottom for any decline even before the Korean situation took a surprise turn, was reached more than a week ago. But the rebound so far has lacked the conviction necessary to confirm it as a solid base.

As the trading turned quiet at least one mark was set: The Monday session's total of only 1,094 issues was the lowest recorded for the year.

As usual when there's still some doubt around, the utilities section came in for a closer scrutiny and has done fairly well. The solid reason for this is that these defensive issues, as usual, have held to far narrower swings year in and year out. Commonwealth Edison, as one example, held to a 25-37 range through all the vicissitudes from 1946 on, even including the recent setbacks. It closed 1952 at 34⅝ and so far this year has ranged over an area of less than four points. It is still virtually unchanged from the year-end price.

Public Service of Colorado is an even better sample of stability. Its range last year was less than 4½ points and even narrower this year. It is still very close to the final 1952 price despite all that has happened since.

Another group markedly unaffected by what has transpired is the hosiery group, although it is largely neglected in the day-by-day trading. A flurry of merger rumors in March lifted the group rather unanimously and it proved somewhat immune to the subsequent declines. As a result, most of these issues still show sizable appreciation over the final 1952 prices. Issues like Phoenix Hosiery, Wayne Knitting and Adams Millis have — fortunately — been missing from the tape on days when selling pressure was general.

For a single issue that has done well despite the storms, Eastman Kodak stands out. Without the benefit of periodic recommendations and rumors, or the damaging effects of switch suggestions and sell advices, it has ignored both the optimism of the advances and the pessimism of the stresses. It, too, has calmly inched ahead through everything and still shows a better price than its final sale last year.

The petroleum group has been erratic, both because of the new find by some of the little companies in the Persian Gulf area and because of indications that demand is being covered comfortably on the domestic front. The growing power of the investment companies also is a large factor in analyses of this group. The feeling is that since the funds own such a large percentage of petroleum issues (and haven't disturbed them materially in recent declines), they will hardly be buying them in any market recovery. Consequently their ability to advance far is seriously in doubt.

"Three-Dimensional" Back In the Market

The three-dimensional movie fad was back at work in this week's market. A combination of a proxy fight, possible release of some 900 old films to the television trade and entrance into the 3-D field, made Twentieth Century-Fox a feature of the week. In addition to its contribution to volume, on the price front it has reached—all by itself—a better quotation than the last price of the old Fox stock which was exchanged last year for one share of the present issue and one share of National Theatres.

The benefits of 3-D are being as hotly debated as the future steel production rate and views are somewhat sharply divided on both cases. Even more divergent opinions can be gleaned on the coming business letdown; whether one is really due, and on the timing if the pessimists are right.

Causing as much debate as anything this week were the somewhat glum forecasts emanating from the convention of the National Federation of Financial Analysts Societies in Philadelphia, including one view "mildly bearish for the rest of 1953 and increasingly bearish for 1954." This forecaster thoughtfully added that his own score card of economic forecasts generally showed them wrong two out of three times.

There was little comfort derived from official statements that the Administration is well prepared to swing into action with a host of supporting devices if there is a business letdown. But, on the other hand, the somewhat large trim in steel operating rates this week to some 3% under capacity didn't generate any unusual chill. The market seems to be going its own way while the arguments flourish.

[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.]

Burton, Cluett Opens Washington Branch

WASHINGTON, D. C.—Burton, Cluett & Dana, members of the New York Stock Exchange, announce the opening of an office in Washington, D. C., at 1001 Connecticut Avenue, N. W., under the management of Ralph S. Riggs, Vice Admiral U. S. Navy (Ret.). The office will be under the direction of Frederick J. Burrell, formerly Assistant Secretary of the National Savings and Trust Co., Washington.

Thornton D. Morris To Open Own Firm

SALT LAKE CITY, Utah—Thornton D. Morris is forming Thornton D. Morris & Co. with offices in the Beason Building to engage in the securities business. Mr. Morris has recently been with the local office of Merrill Lynch, Pierce, Fenner & Beane as manager of the municipal bond department. In the past he was a partner of Pett & Morris.

Continued from page 5

Observations...

from past market periods, that not even a correct forecast of external (that is, outside-the-market) events furnishes a basis for profitable short-term market policy.

* * *

1932-1952 Record

The recent divergence is in line with the past record over the long term. Viewing the period from the depression depth of 1932 through the bull market period to 1952, we find that tobacco and food companies as well as banks, utilities and chain stores enjoyed only small advances; while contrastingly, oil, paper, machine tool, fertilizer, air transport, tire, shipping, and copper companies registered enormous advances over the period. The ratio of 1946-'52 highs to the previous 1932-'33 lows was only 2.5 for American Tobacco, 2.8 for American Telephone and Telegraph, 2.9 for General Foods, and 3.6 for National City Bank—while for du Pont it was 18.6, Texas Co. 13, Anaconda Copper 23, Bethelehem Steel 24.7, Chrysler 33, etc.

* * *

Surely the logical motivation for the broadest possible diversification is amply supported by the past record of divergence!

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American Stock Exch. OK Corporate Members

Edward T. McCormick, American Stock Exchange President, announced on April 13 that, by a vote of 268 to 15, the market's regular membership had amended the Exchange's constitution to extend permissive incorporation privileges to regular member firms. The amendment will be effective May 1, 1953.

E. T. McCormick

As it now stands 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 also provides that while a corporation may have more than one class of stock outstanding, all the voting stock must be held beneficially and of record by the officers, directors or employee of the corporation who are actively engaged in its business and devote a major portion of their time to it.

Under the new setup a director of a broker-dealer corporation may become an associate member of the exchange. The present constitution extends this privilege only to executive officers. It is expected that this proviso may broaden the base of associate membership.

Keith Reed & Co. to Be Formed in Dallas

DALLAS, Tex.—Keith Reed & Co. is being formed with offices in the Wilson Building to engage in a securities business. Officers are Keith B. Reed, President; K. H. Reed and J. O. Henderson, Vice-Presidents. Mr. Keith B. Reed is a partner in Binford, Dunlap & Reed.

Banking Group Offers Lorillard Securities

Lehman Brothers and Smith, Barney & Co. headed a group of underwriters who yesterday (April 15) offered $22,500,000 of 25-year 3¾% debentures due April 1, 1978 of P. Lorillard Co. at a price of 99.20%, plus accrued interest. Simultaneously, the company is offering to its common stockholders 356,573 shares of its common stock for subscription at $23.25 per share. The common stock offering is being underwritten by the same banking group.

The net proceeds to be received by the company from the sale of the two issues are to be applied to the reduction of short-term bank loans which aggregated $56,700,000 on March 23. The new debentures are redeemable otherwise than through sinking fund at the initial redemption price of 103% and at decreasing premiums until April 1, 1977, after which they are redeemable at their principal amount. The debentures will have the benefit of a mandatory sinking fund sufficient to retire $675,000 of the debentures on each April 1st from 1956 to 1977. In addition, the company will have the option of prepaying for sinking fund purposes annually an amount equal to the mandatory payments. The sinking fund redemption price is 100%. The mandatory sinking fund payments will retire 66% of the issue prior to maturity.

The additional common stock is being offered to stockholders of record at 3:30 p.m. on April 14, 1953 at the rate of one share for each seven shares of common stock held of record. The rights expire at 3:30 p.m. on April 28, 1953.

The company's principal product is "Old Gold" cigarettes which accounted in 1952 for approximately 82% of total sales. It also manufactures "Kent," the cigarette with the "Micronite" filter. Other products of the company include various brands of cigarettes, smoking and chewing tobacco and cigars.

The company reported in 1952 net sales of $214,508,482, the highest in its history, and net income, after provision for Federal and State taxes on income, of $5,700,942.

Thomas A. Scott With Bache in Philadelphia

PHILADELPHIA, Pa.—Thomas A. Scott is joining the New York Stock Exchange firm of Bache & Co., 121 South Broad Street, as manager of the firm's mutual fund department. He was formerly with Mortgomery, Scott & Co. and Lewis C. Dick Co.

Named Member of SEC

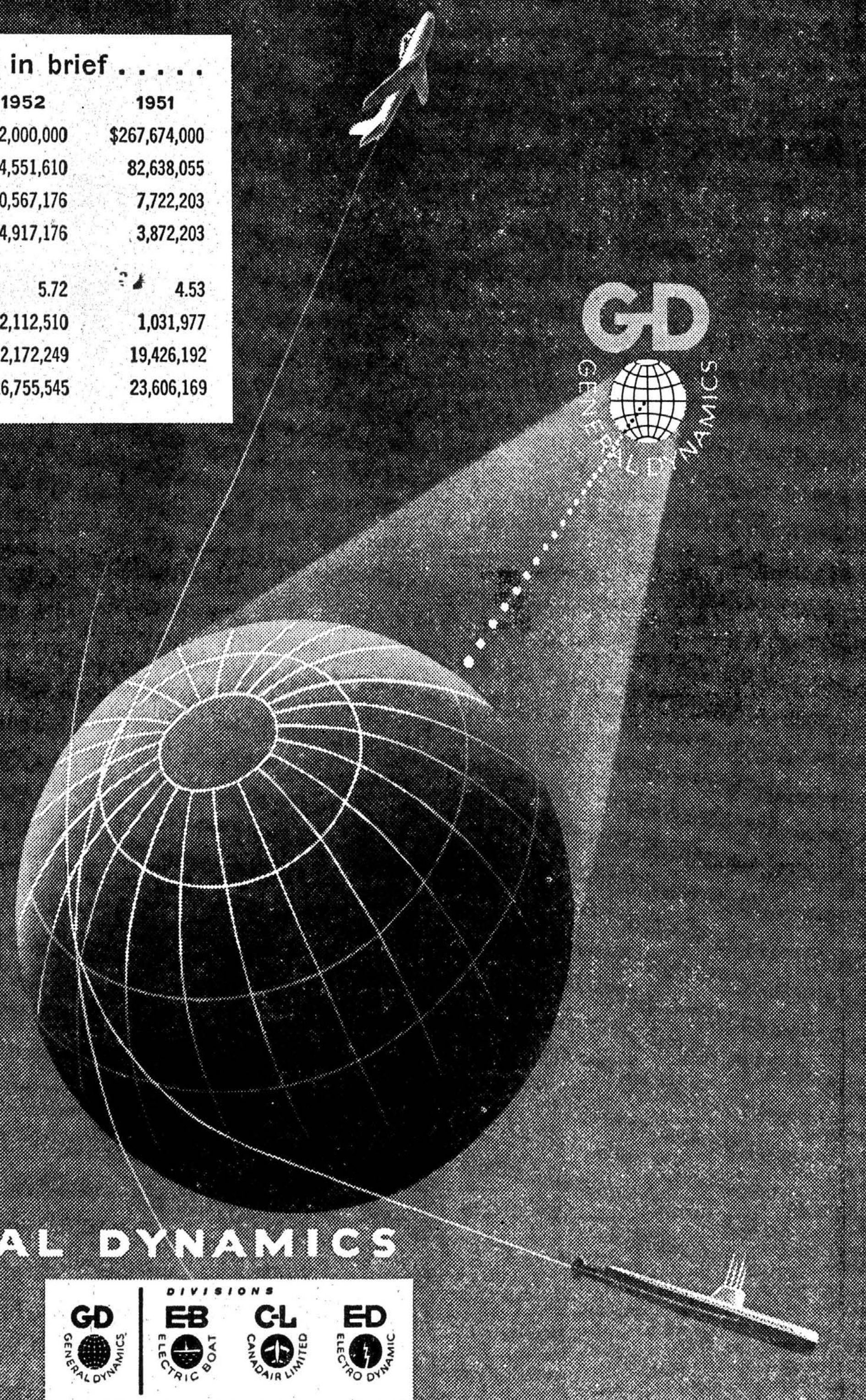
Ralph H. Demmler, Pittsburgh Attorney, to succeed Howard Rossbach, recently resigned.

President Eisenhower, on April 13, nominated Ralph H. Demmler, a Pittsburgh, Pa., attorney and a specialist in corporation banking law, as a member of the Securities and Exchange Commission, to succeed J. Howard Rossbach, a Democrat who recently resigned. Mr. Demmler is to serve until June 5, 1957.

It is rumored that Mr. Demmler will be named chairman shortly after the Senate confirms his appointment. Meanwhile, the SEC will have as chairman Donald C. Cook, a Democrat, who wants to leave as soon as the President names his successor

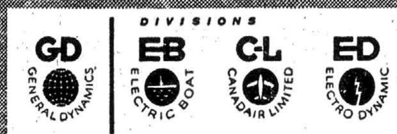
With Mr. Demmler on the Commission, its political line-up will be 3-2 in favor of the Republicans. When Mr. Cook leaves, President Eisenhower will have to nominate either an independent or a Democrat to take his place. Under the law, one party can have only three members on the Commission.

Mr. Demmler is at present a member of the Pittsburgh law firm of Reed, Smith, Shaw & McClay. He is 49 years old, and a graduate of Alleghany College and the University of Pittsburgh.



Results of the year in brief . . . . .

	1952	1951
UNFILLED ORDERS	$372,000,000	$267,674,000
NET SALES	134,551,610	82,638,055
PROFIT BEFORE TAXES	10,567,176	7,722,203
NET EARNINGS	4,917,176	3,872,203
NET EARNINGS PER COMMON SHARE	5.72	4.53
DIVIDENDS PAID IN CASH	2,112,510	1,031,977
WORKING CAPITAL	22,172,249	19,426,192
NET WORTH	26,755,545	23,606,169



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An Air World Changing Global Minds

By JOHN H. FURBAY*
Director, Air World Education, Trans World Airlines, Inc.

Dr. Furbay, pointing out patterns of culture follow routes of trade, discusses effects of air transportation in changing man's ideas of geography and culture. Sees air transportation opening up new markets and developing our civilization in isolated areas. Concludes, now that world is at our doorstep, there is going to be considerable mental adjusting, and "many old prejudices will have to go."

Some writers have said that the airplane is going to change civilization and culture as radically as did the Industrial Revolution. People who live in the transition years between one epoch and another almost never realize that one period is ending and another beginning. Thus the man-in-the-street does not yet comprehend what the new air world will do to him and for him.

Dr. John H. Furbay

It is an historical fact that patterns of culture follow routes of trade. Much of the early literature, music, art, and great works of architecture arose where trade and transportation were best developed — around the Mediterranean. Here evolved the great culture of Egypt, later of the Greeks, then of the Romans. For several thousand years this culture didn't get far away from the Mediterranean. Why? Because of transportation. Aside from carrying things on one's back, the only means of travel in those days was on water. The peoples could sail from one side of the Mediterranean to the other and exchange both goods and ideas.

Nordic Cavemen

As a result of this interchange some of the earliest universities and libraries sprang up in North Africa. Greece and Rome became great cultural centers. But, during all these great developments, most of the ancestors of those of us who came from North European stock were still uncivilized; they hadn't come out of the caves yet. Isolated from the culture which was thriving around the Mediterranean they were at least four thousand years behind. Great works of poetry, music, art, literature—all of these things were by-passing them. As culture of the world revolved around the centers of transportation, Northern Europeans were left out of the stream of civilization.

Roads and Culture

When the civilizations of the Egyptians and the Greeks fell into the hands of the Romans, who were more aggressive, there opened a new epic in man's history. The Romans built roads, good stone roads, so solid that you can still ride over some of them which were built neary two thousand years ago. They extended their roads forming a network ultimately opening up the uncivilized isolated areas of North Europe and the British Isles, giving them their first direct contact with the civilization of the Mediterranean. They carried with them Roman political theories, language and philosophy, and the Christian religion. Through that genius for organization, for which the Romans were famous, they planted throughout Europe the civilization and culture of the Mediterranean which was later to be carried by improved means of sea transportation to America.

*An address by Dr. Furbay at a meeting of the National Executives Club, Miami, Fla., April 8, 1953.

Up to this time and for many more centuries the world was limited by land and water transportation. Now that civilization has come to the era in which man has left the earth and its barriers and has taken to the air, new methods have become necessary for both peace and war. We used to think that a nation which controlled the seas could control the world. We used to think that mountains could stop armies, but now we have seen men, tanks, guns and ammunition, whole hospital units—everything necessary to carry out a campaign—delivered right over any bottleneck of the seas, mountains, deserts and Maginot Lines. We have had to revise the tactics of fighting in an air world where man is no longer earthbound. Even a seaport is no longer necessary for a jumping-off place, as we can take off by air for any part of the world from such inland places as Kansas City or Minneapolis.

The airplane is destined to bring about shifts in population. There will be new cities because of the new transportation routes. I was in one a few weeks ago: Gander, Newfoundland, right out in the wilderness where there was nothing at all before airplanes opened it up.

New Markets

Aerial transport will not do away with railroads but will probably enhance their business as long a everything must arrive at the airports by surface transportation. In addition, the airplane is opening vast new markets which will mean more business for all forms of transportation. I have seen towns in South America without a highway or railroad which were, for centuries, totally isolated. Now airplanes are dropping right into those cities, bringing them in touch with every other city in South America and with the world. I have seen planes bringing in loads of cement for new buildings, shipments of American-made merchandise for the local stores, medicines for the ill. Planes now transport all sorts of things over the world to places where we could not travel before the plane came.

Cities which, within the next few years, have not developed good airport landing facilities for this new world of aerial transportation are going to be on their way out as much as were the cities a generation ago which failed to provide themselves good railroad facilities.

A Changing Concept

This air world is bringing a change in man's ideas of geography. We were taught that the earth is round. Yet most of our maps tell us the earth is flat. It is an unfortunate contradiction of ideas. When we entered the last war the Air Force found that one of its biggest jobs was to teach global geography, the concept of our earth as a globe. We had learned too much geography from flat maps that can never be wholly accurate. We were too accustomed to the Mercator Projection. It is true that at the equator the Mercator Projection is completely accurate, but the farther north and the farther south one goes, the more inaccurate this map becomes. Mercator's projection makes Greenland and Iceland appear many times their actual size. Look at such a map, then look at a globe and you will see these disproportions. The newer polar projection maps are in many ways better, but we need to study geography much more from globes.

The Air Age gives us many new concepts of direction. If we are going to Europe from Kansas City, the shortest way is not to New York, then east across the ocean as travel by surface transportation has always implied. We leave Kansas City in a northeast direction and proceed to Paris, leaving the United States at either Chicago or Detroit. This is a different concept of direction and space from that used by railroads and ships. Suppose we are flying from Kansas City to China. Do we take a plane to California continuing on via Honolulu to China? No, we go northward from Kansas City to China, taking off from Chicago or Minneapolis. These are the jumping-off-places for China and the Orient now, and the routes go north by northwest through Alaska.

An Important Direction

North is destined to be an important direction in this Air Age. The reason is this: In the northern hemisphere lie the major populations of the world—the Orient and Russia, the Middle East, Europe, and North America. If you connect the United States directly by air with any of these other areas of population, whether Paris, Cairo, Moscow, or Shanghai, you find that the routes go northward. It should also be pointed out that if we fight another war it will likely be an aerial war fought through the arctic zone, right over the top of the world. Peacetime trade and passenger traffic are now going far to the north over the Atlantic and Pacific oceans, skirting the arctic circle. As a result, new population centers are springing up along those northern air routes. Perhaps if Horace Greeley were alive he would want to revise his "Go West, young man," to match the new Air Age, advising, "Go North, young man, Go North."

There are other respects in which we are changing our ideas of geography. The world has shrunk in size and distance. During a two week vacation we once could get no farther than a few hundred miles from home, but today we can go around the world in that length of time and spend 11 days of it fishing in as many different countries if we like. Now we can have breakfast in Chicago, afternoon tea in Ireland, and dinner in Paris—all the same day. That is quite a different kind of world from father's and grandfather's. And as the world shrinks in distance, is *expands* the horizons for each of us since we can go so much farther in a given length of time.

In Chicago recently I met a businessman who had just flown in from Paris. He said that in less than a month he had made three trips to Paris. In setting up branches of his business all over Europe, he maintains one office in Chicago and another in Paris, and commutes back and forth. He is one of many who do the same thing. His world has suddenly expanded and he can carry on business in what were once considered faraway places. TWA, first to fly passengers coast-to-coast as a transcontinental airline, has had a similar experience in becoming Trans World Airline. This far-reaching expansion requires a whole new concept of business—the global concept.

Task of Preparation

The airplane may be bringing together the people of the world faster than they are ready for it. We have a big task to prepare the minds of people for living and doing business in One World. We are still thinking too much in the horse-and-buggy days.

We must get acquainted with our new global neighbors. If the farthest is less than 40 hours away by air, we can't call them "foreigners" any more. The whole concept of other nationalities being alien to us has to go. And if we are going to get along with these peoples as *our neighbors*, we are going to have to know who they are and what they are like. Let's take a look at them.

Our World Neighbors

What are our world neighbors like racially? When we start traveling we are amazed to find out that the civilization in which the white man is god simply doesn't hold in most of the world. To those who believe the white man is the most important creature on earth and that he runs this world, it is a shock to discover that the white race is only a minority race, and a very small minority at that; that over three-fourths of the world's population is colored, mostly *brown* (and there is no yellow or red race, these are also brown). Both the white race and the Negro race are minority groups, and if our thinking on race problems hasn't progressed beyond these groups we have missed most of the world's population.

Whether we like it or not, we are going to have to change our notions of the superiority of the white race. One finds out if he travels much that there are smart people among all shades of skin. Those people who carried on the civilization of the world for five thousand years did not have Nordic white skins yet they gave us all the seeds of the culture in which we pride ourselves today. While many white people still look down on all colored peoples as inferior, the reverse is also a fact little-known to most of us; that many of the colored races definitely look down on *us* as being inferior, saying, "These white people are only babes in the woods of culture. They only got civilized day before yesterday." They rationalize, "We had culture long before they crawled out of their caves." This is, of course, a truth we haven't talked much about.

This prejudice against nonwhites very definitely requires us to re-orient ourselves, particularly in our relations with the brown peoples. Our ideas of colored peoples are pretty much limited to Negroes. The boys in the service had a difficult time while abroad trying to figure out who was white and who wasn't. I will never forget the story about a USO dance one night in Cairo. There had been an argument about who should be admitted. The boys still had the notion that being white really mattered, but they couldn't arrive at a definition as to who was white and who wasn't They finally decided on a way to determine this. They got a brown paper bag and hung it by the door, and then had an MP stand guard by it. They instructed him: "Look at each arriving guest and if his skin is as light or lighter than the brown paper bag, let him in—he is a white man! But if his skin is as dark or darker, keep him out—he is *not* a white man!"

Mental Adjustment

In developing our civilization we have lived in comparative isolation and haven't realized what the rest of the world was like. And now that the world is at our doorstep, we are going to have to do considerable mental adjusting, and in so doing many prejudices will have to go. Prejudice is taught, it is not born. A white boy who had lived in Africa and the Near East as a child, and had known very few white playmates was returning to the United States to go to school. He met his cousin for the first time when he arrived in New York, and his first observation was, "My gosh, Pop, she's *white*." He had a child's point of view. He had never heard any talk about white people being superior. He had played with the brown children all his life and, to him, they were all just *kids*, people with whom he had had lots of fun. Perhaps that is the kind of concept we adults are going to have to develop: that we are not white or brown or black, but that we are all *people*—the human race.

We also are going to have to revise our notions of religion. Brought up in a predominantly Christian country where it is often difficult for the various branches of the same religion to get along together, we find it even more difficult to accept the many non-Christian religious philosophies which the majority of the world still follows. But those of us who have lived with peoples who believe in Mohammedanism, Confucianism, or Buddhism find that their religions actually serve them well. We are all talking about the same God, whether we call Him Allah or something else; and who are we to say that theirs isn't a good religion *for them?* On only one thing can we be dogmatic: that *any* religion is better than *no* religion.

Needed: Linguists

We are going to have to get used to neighbors not only with different colored skins and with different religions, but neighbors speaking different languages. We are a one-language country. American travelers are embarrassed on finding that so many other peoples speak several languages. We are probably the only major country in the world whose educated class speaks only one language — their mother tongue. This is a real problem for airlines and other business firms who are trying to staff their offices in several countries. Where are they going to find American employees who can speak several languages? A business representative can't say to a prospective customer, "If you only knew English, I have something good I could sell you." We must learn other languages if we are going to have a place of leadership in the world, either commercial or political.

The Tourist Question

Now what about the tourist? It is time we were beginning to prepare them to travel intelligently. Only when they go to another country, aware that the people of that country may have developed some things better than we have, can they profit by their contacts. It may be music, art, poetry, philosophy, or a sense of humor, as in Ireland. Before we travel abroad, let's learn to look for things others have done better than we have. Then we shall be prepared to travel and to make friends. Where airplanes have dropped missiles of destruction, they can now bring together peoples who wish to be neighbors. It is the boundaries of our minds that are keeping the world apart. Airplanes can transport people; but the real job is going to be to break down the barriers in the thinking of the people who travel and to build a world of friendship, understanding and appreciation.

Verace to Admit

On May 1 Mario Vito Gimma will become a partner in Verace & Co., 52 Broadway, New York City, members of the New York Stock Exchange. Mr. Gimma was previously associated with Francis I. du Pont & Co.

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Peace in Korea Will Not Open Door to Depression

By NORMAN STRUNK*
Executive Vice-President
United States Savings and Loan League

Asserting peace in Korea does not mean a serious turndown in business, Mr. Strunk gives as his reasons: (1) there'll be no drastic cut in defense spending; (2) reduced income taxes will help offset reduced defense spending, and (3) new products and appliances will be put on market. Expresses fear that resulting mild adjustments from truce may cause some businessmen to proclaim need for government intervention and assistance. Foresees continued expansion of mortgage business, and points out growth of property-owning middle class in U. S. is bulwark against Socialism and Communism.

The extent of the current peace offensive of the Communists, as aired from both Peiping and Moscow, suggests that they are seriously seeking peace in Korea, or, at least, a temporary lull in the fighting. If a peace—even though temporary — is realized, it will, of course, have far-reaching effects upon American business institutions, including our own, and many of our everyday affairs.

Norman Strunk

Such a situation invites us to examine closely the possible events which might well follow a truce. Perhaps it might pay us to talk for a few minutes about these prospects and relate them to the world in which we live and work.

In the first place, I do not believe—as apparently a number of people do—that some sort of a depression will inevitably follow a peace. It is likely, to be sure, that some lines and some businesses will be hurt, but I have no fear for the continued good health of the overall economy. The line of reasoning which sees a depression around the corner of peace is geared to the theory that defense spending will be cut drastically and that this will knock the props out from under the economy.

In my judgment, there are several fallacies to this view, the most obvious being that defense spending is not turned on and off like a water faucet. In the event of peace, certainly defense spending will be reduced gradually—probably very gradually—until it is ascertained whether the peace is real or just a myth.

Another fallacy to the theory that peace will breed a depression is shown by the fact that as defense expenditures are trimmed, personal income taxes also will be reduced. With a reduction in taxes, the money which would have been spent by the government will be available for investment and spending by private business and by American consumers. It might also be pointed out that such business and consumer spending need not match—on a dollar for dollar basis—defense expenditures as they decline. Normally, private investments are in a more efficient, effective and productive manner than those of the government.

A third error of this brand of thinking is perhaps the most short-sighted of all. The admission that war is needed to insure prosperity not only adopts the Communist line, but presupposes that there are no new industrial horizons to be conquered, no new products, appliances and modern living devices to be designed and manufactured; in short, that there are no more prospects for a higher standard of living for the American people.

*Address by Mr. Strunk at banquet of the Greater St. Louis Savings and Loan League, St. Louis, Mo., Apr. 8, 1953.

No Basis for Pessimism

To theorize in pessimistic tones about the economic impact of peace is, to my mind, both fearful and absurd. Not only is that type of reasoning totally lacking in faith in the future of America, but it overlooks an elementary but historic truth which is: Despite some temporary ups and downs, our progress as a nation and as a people is always forward, always upward.

Against my broadly optimistic views, I must express my fear that there is one grave danger, so far as American business is concerned, that might spring from a Korean peace. It is a danger that does not meet the eye. It is simply, that some businessmen—at the first sign of even a mild adjustment — will proclaim the need for government intervention and assistance to replace the prop of military spending. Such an attitude should not be at all surprising in view of the fact that millions of Americans have grown up in an atmosphere of ever-expanding government authority, and the annual spending of billions of dollars by the Federal government.

It suggests that if such a time arrives, and such circumstances develop, the American businessman will be faced squarely with a test of integrity. A basic issue will then have been drawn, and the private businessman will have to decide whether he is strong enough in his own right to let government supports fall by the way, and move ahead on his own imagination, courage and energy. In other words, he can decide whether he wants to keep the crutch furnished by the Federal government or whether he wants to break it.

We are already witnessing such a test of integrity among the nation's farmers. They are being told, in effect, by the courageous new Secretary of Agriculture to row their own boats, and to look to the government for help **only in an emergency** and not as a day-to-day and month-to-month proposition. When you compare this attitude with that prevailing in Washington during the recent years, it is so refreshing as to be revolutionary.

No one has illustrated what is happening in Washington so well as our own United States League President, Charlie Clements, when he said the other day: "This new Administration is trying to do what we in the savings and loan business have been demanding for 20 years, namely, restore our liberties."

Peace Will Bring Expansion Of Mortgage Industry

It is impossible, of course, to divorce our own business from the overall business picture. Just as I have indicated that American business generally has no need to fear peace, so I believe that we in the savings and loan field will find in peace — if it comes — an atmosphere most favorbale to the continued expansion of individual thrift and private home ownership. I believe this is particularly true because we have a new Administration which, in my judgment, is more sympathetic to the rights of private property than was its predecessor.

It is of the utmost importance to understand that we are in a business which is peculiarly equipped to strengthen the world's fortress of private property here in the United States. Today, as a result in part of our efforts, a substantial majority of American families have a stake in the outcome of the battle against private property which is being waged abroad by the Communists and here at home by the Socialists. At long last, and by almost imperceptible degrees, the pendulum both here and abroad, is starting to swing in our favor.

I want to place special emphasis on the fact, as I have just pointed out, that today most American families have a stake in the struggle over private property rights. I am not always sure that enough of us appreciate that this is perhaps the most important single development which has taken place in the world during our lifetime.

Many of our political leaders, sensitive as they are to the prevailing winds of public sentiment, are only just beginning to recognize this event. What has happened is an economic and social revolution in the United States, which has resulted in the establishment of a vast middle class in this nation. This development has stunned the apostles of Communism and Socialism, who knew—as did Karl Marx—that the principal obstacle to a collectivist society was the middle class citizen—the man who owned property—that home owner, savings account holder, owner of insurance policy and automobile. When you have the opportunity some time, you might want to browse through the Communist Manifesto and there you will find this shrill warning of Marx: "The middle-class owner of property must be swept out of the way and destroyed."

In his revealing book, "How to Keep Our Liberty," the astute political observer, Raymond Moley, points out that the Communists and Socialists hate the middle class—that is, the home owners and the savers — because they recognize the fundamental concern of the "middle interests" — as Mr. Moley calls us — with **stability** and **internal peace**. Mr. Moley also makes this comment which is worth your serious reflection:

"Millions of workers, both union and non-union, are now receiving incomes that compare favorably with those received by small independent business, professional and so-called white-collar workers. Their status as property owners is also favorable by comparison.

"That being true, their sympathies, their associations, their standards of intelligence and culture and those of their children are merging with those who in earlier days were regarded as much more fortunate.

"**Their political outlook is rapidly approaching that of the other middle groups. They can no longer confidently be expected to vote as a 'labor' group.**"

There are, of course, many reasons behind the great success of our business in recent years, but none more basic and fundamental than that we have, knowingly or not, played an important role in the epic drama of the rise of the middle class. We should understand, also, that the development of this vast middle class has no parallel in history. There have been middle class elements in other times and in other countries, but always they have been essentially minority groups within the population. In the United States today, as an outgrowth of the vast immigration to our urban areas which began at the turn of the century, the American middle class is, by far, the majority element. This class today dominates our nation — socially, economically and politically.

Peace Will Aid Expansion of Middle Class

If a peace is achieved in Korea, considerably more progress may be made in the expansion of the middle class. This expansion will be facilitated, as I said previously, by an Administration friendly to the broad concept of private property, of home ownership. By and large, we may be confident that the attitudes of the Eisenhower Administration will be basically conservative and dedicated to the strengthening and enlargement of the structure of private property.

The spectacular progress of the savings and loan business in the past 13 years is ample testimony that we have been part and parcel of the rising dominance of the middle class citizen—the man who owns property, even just a small amount, such as a home, a savings account, a life insurance policy, an automobile.

Our associations have provided the nationwide network of savings institutions which have specialized in the handling of the savings funds of the middle class. In times past, we have often been described as the "poor man's bank." This has proved more than an easy catch-phrase, for as more and more of our population has moved from low-income groups to the middle class, our institutions have flourished and expanded. In 1935, for example, only 16% of American families had incomes in excess of $2,000 annually; today approximately 72% of families have higher incomes, or more than four times as many. I can think of no more dramatic evidence of the direct correlation between the progress of our business and the expansion of this middle class than to point out that the size of the savings and loan business, as measured in total resources, is four times that of 1935.

In all honesty, it should be pointed out that the growth of the savings and loan association as the preferred savings institution of the middle class can be traced, in great part, to the reluctance of other financial institutions to fit their operations to meet the wants of this great and ever-expanding middle class group within our population.

The lesson we can derive from the experience of the commercial banks in the savings field is that we should never under-estimate the resiliency, the vitality and the dynamic urge for progress and betterment which is inherent in the American people. From one generation to another, nationality groupings may be different, so may races, but the eagerness to succeed, to get ahead, is always present. It is the touchstone of American progress, and so long as we keep it in mind, there can be no limit to our growth, our stature and our influence.

There are also, on the lending side of our business, considerations to be derived from the rise of the middle class. The increase in the number of families of middle incomes indicates that new standards will be necessary in the market for homes and residential real estate, and that we cannot be guided too greatly by the past.

Few would have predicted the unprecedented rise in private home ownership that followed World War II, but it took place and like the growth of our business, occurred simultaneously with this expansion of middle class America. It is more than coincidence, I think, that at the close of 1951, when the percentage of home owners in our urban areas reached 54%, that this was precisely the same percentage of American families to have incomes of more than $3,000 a year.

The rapid increase in family incomes, when coupled with the steady expansion of the population, certainly suggests the need for continual reappraisal and reexamination of the potential demands for home financing. The Bureau of Census estimates that our population will increase at the rate of approximately 2,000,000 persons annually until 1960, and this indicates an annual formation of about 700,000 new households—the basic factor in new housing demand—until that time. In 1960, the crop of World War II "babies" will start coming of marriageable age, and the rate of population increase may be expected to be considerably higher than it is today.

This population growth will strengthen and enlarge the middle class and this, in turn, is likely to mean the strengthening and enlargement of our institutions. Historians will record, I believe, that the 20th Century revealed the "Coming of Age" of the middle class and the rise of a new financial giant—the savings and loan business—whose ideas and ideals of service we keyed to the wants and needs of this class.

S. L. Parry Joins DeCoppet & Doremus

DeCoppet & Doremus, 63 Wall Street, New York City, odd lot dealers on the New York Stock Exchange, announce the association of Sidney L. Parry with their firm. Mr. Parry was previously with Chas. W. Scranton & Co. of New Haven. He is a former executive Vice-President of the Association of Stock Exchange Firms and a former Vice-President of the Chicago Stock Exchange.

Sidney L. Parry

Henry Zuckerman With Newburger, Loeb & Co.

Newburger, Loeb & Company, members of New York Stock Exchange and other Exchanges, announce that Henry Zuckerman, Registered Representative, has joined their organization at the firm's main office at 15 Broad Street, New York City.

Formerly with Bache & Company, Mr. Zuckerman also had previously been a District Manager of the Alexander Hamilton Institute for a number of years, and served as Market Analyst with the War Assets Administration.

East Coast Secs. Corp.

East Coast Securities Corp. has been formed with offices at 52 Broadway, New York City, to engage in the securities business. Officers are B. F. Sacharow, President, and D. C. Bischoff. Mr. Sacharow was formerly an officer of Mitchell Securities Inc. and manager of their New York office.

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Our Inherited Farm Problems

By HON. EZRA TAFT BENSON*
Secretary of Agriculture

Asserting "as responsible citizens we cannot continue indefinitely to live beyond our means," Sec. Benson lists as inherited problems of the new Administration: (1) the 50 cent dollar resulting from unbalanced budgets; (2) the heavy national debt; (3) a decline in prices of farm products; and (4) high costs for the farmer. Says kind of price supports we inherited are putting farm products into storage instead of into stomachs, and are attracting foreign products to us "like a magnet." Reveals new policy for aiding beef prices.

A little more than two months ago the new Administration took over responsibility for guiding the destiny of the United States. The mandate from the people was clear. For 20 years the government has been under other management.

Ezra Taft Benson

When we examined our inheritance we found that we had acquired a number of thorny problems. Like many another heir, we found the house mortgaged and a good deal of damaged furniture stacked away in the attic.

Some of the damage, to be sure, was due to causes for which the previous owner was not wholly to blame. It is clear that a nation cannot go through a major war and cannot wage a cold war without considerable disturbance. I leave to the historian the delegation of responsibility for these calamities and their after effects.

Much of the trouble we inherited, however, was of another sort. The mortgage, our present Federal debt, came from living beyond our income. Our system of price supports gave little trouble so long as prices were rising. But before we moved in prices began to fall and our problems multiplied. As responsible citizens we cannot continue indefinitely to live beyond our means and we must prepare ourselves for foul weather as well as fair.

Let us face facts frankly—then attack the causes of the difficulties. Here are a few of the things we inherited:

A 50-Cent Dollar

We inherited a dollar which will buy only half as much as it would 10 years ago. Inflation has taken 50 cents out of each dollar you had saved up to 10 years ago.

Old people who can no longer work are struggling to live on half of the amount they had saved for their old age. A large part of this reduction in the buying power of the dollar came about as a consequence of a world wide inflation brought on by war. But part of it is a result of having willingly accepted inflation as a way of life. Much of it came from providing inadequate political answers to economic questions, and from undue reliance upon the appropriation of public funds.

President Eisenhower said in his State of the Union Message: "A balanced budget is an essential first measure in checking further depreciation in the buying power of the dollar."

An evidence of the type of financial management to which we have been subjected is to be found in the budget proposed by the previous Administration for the year beginning July 1, 1953. This budget, now fortunately set aside, proposed the expenditure of $9.9 billion in excess of receipts at a time of high employment and income.

I assure you that this pattern of behavior has no place in the thinking of President Eisenhower or the members of his Cabinet. If the dollar looses its honesty it will be hard to maintain the integrity of those who give and receive it in exchange for goods.

Huge National Debt

You and I inherited a national debt of over $265 billion. President Eisenhower said: "In addition, the accumulated obligational authority of the Federal Government for future payments totals over $80 billion. Even this amount is exclusive of large contingent liabilities, so numerous and extensive as to be almost beyond description."

Government spending and debt accumulation were so rapid, as we came into office, that the debt limit of $275 billion might have been reached or exceeded had the proposed 1954 budget been adopted.

We appeal to you to back us up in our determination to see that the Department of Agriculture does its full share in helping balance the Federal budget. We have just submitted a revision of the agricultural budget for the year beginning July 1, 1953 cutting $71 million from annual appropriations specified in previous proposals, and $60 million from loan authorizations. This is a reduction of about 10%. This represents a clear reduction in the Truman budget—a budget which the preceding Administration had repeatedly said could not be cut.

Falling Farm Prices

We inherited a decline in prices of farm products. Prices received by farmers had been falling for about two years prior to Jan. 20. There was a drop of about 16% during that time.

The price drop was in part a reaction from the extremely high level of prices reached after the outbreak of war in Korea. In part, it was a consequence of heavy supplies of agricultural products, which in turn resulted from high prices, good weather, and—note this—the previous Administration's plea for greater production. In addition the price decline reflected a drop in agricultural exports as world agriculture got back on its feet.

The causes of this decline were complex and I do not have the time to unravel them all or fix responsibility for them.

I do wish to make it clear, however, that this price decline had been two years in progress. The forces which generated it, whatever they were and however they combined themselves, had their origin prior to the coming into power of the new Administration.

We came into office at a time when public attention was focused on this price decline, and we, being newly installed in office, drew much of the blame. To alter a familiar Biblical quotation: The lines have not fallen to us in friendly places; we do not have a goodly heritage. There has been an effort to visit the sins of the fathers upon the children.

Recent Price Action

There was a deliberate attempt to unload responsibility for this price decline on our shoulders. Fear of another depression, which smolders in the thinking of every farmer who experienced that catastrophe, was awakened, and, I regret to say, deliberately fed by some who sought to embarrass the Administration. Attention was focused on the price of beef, which as you know, was falling rapidly, and the implication was made that this merely typified what was occurring or impending for agriculture generally.

The intended result of this technique was to cultivate uncertainty in the minds of many and to create the impression that the rug was being pulled out from under American farmers. One would have thought that agriculture was in a state of collapse, and that the Department of Agriculture was responsible for it.

We had earlier resolved not to reply to false charges. But in the Washington scene, Christian forbearance seemingly is interpreted as an admission of guilt. We have no choice but to make the record clear.

What are the facts?

The fact is that farm prices in general have fallen 1% since we have been in office. This figure comes from averaging together prices of everything the farmers sell. Declines of this magnitude took place no less than 39 times during the 20 years that our predecessors were in office. The widely publicized decline in the price of cattle was offset by an unpublicized but greater increase in the price of hogs, so that average prices of meat animals were substantially unchanged.

Declines in the price of grain were widely reported; recoveries escaped the headlines. I suggest to you that a decline of 1% in farm prices is not a thing for which the Department of Agriculture should be castigated, particularly if the causes originating that decline had their origin before present leaders came into office, and particularly if the Department is doing everything in its power to remedy the situation.

Our analysts in the Department of Agriculture anticipate that prices of farm products during the spring and summer will be steady. This opinion seems generally shared by other economists in government and out. Employment is at a high level, incomes are high, investment is going forward, consumer buying is strong and the building industry is experiencing another big year.

In fact, the past month actually showed an increase in the level of farm prices. We have never had a severe agricultural price collapse so long as general business activity was at a high level, as is now the case. Agriculture is expected to share this firm tone. Let us save our energies for better purposes than fighting phantoms.

We are not responsible for causing the decline in farm prices; nevertheless, we shall have to meet the problems it raises. And we take on that task with a will and with our sleeves rolled up. Falling prices, like the waters receding after a flood, reveal much that was formerly obscured. The task of cleaning up will not be easy.

The words I spoke about an honest dollar are as true with respect to price declines as with respect to inflation. Just as the widow and the orphan are entitled to receive back, through their insurance and their bonds, the same kind of dollars that they surrendered, so farmers and ranchers should justly have the right to repay their debts with the same kind of dollars they borrowed. In our modern interdependent society, either inflation or deflation is harmful. President Eisenhower wants an honest dollar for America. He has my support and I am sure he has yours also.

Higher Costs to Farmers

Farmers have inherited high, three-way costs that are even more vicious than the down skid in farm prices.

Farm production costs are high. Family living costs are way up. Costs of marketing farm products are very high.

The increase in these costs has multiplied almost three times during the last 12 years.

These costs are what economists call "sticky." They are very difficult to bring down.

Long months and years ahead, farmers struggling with high costs can look back to the years we have just come through. They will realize that those who "planned" the inflation left a crushing load on those who will operate our farms, ranches, and plantations.

Don't ever be guilty of charging your high expenses and terrific costs to the new Administration. That has been inherited from the past.

Farm Products in Storage, Rather Than in Stomachs

The kind of price supports we inherited are putting farm products into storage rather than into stomachs.

Until the last two years, prices received by farmers were high and generally rising, as you know. This was chiefly a consequence of world-wide inflation which carried prices up in our own land and elsewhere.

With rising prices, our present system of price supports had the appearance of success. Market prices, on a basis of supply and demand, were generally at or above the supports. Nonrecourse loans resulted in the acquiring of relatively small quantities of farm products. Those that were acquired were easily disposed of, sometimes at a profit. Rising prices and expanded markets make production control appear less necessary. High farm prices resulting from war were attributed to price supports. All of this created the feeling that our present system of supports was the way to bring prosperity to the farmer.

But with the downturn of prices that has occurred during the past two years, experience with such price supports took on a different hue. Now it becomes increasingly evident that market prices can sag below support levels, and when they do our nonrecourse loans result in government acquisition of heavy stocks. It is becoming clear that these stocks cannot easily be fed back into the market. When they are, to prevent spoilage, heavy losses occur. This is particularly true for perishable products. With the shrink in export markets which has occurred, the old principle again becomes evident: you can't hold prices at abnormally high levels without eventually having to restrict production. I know that most of you people accept this principle.

The chickens are coming home to roost. They're not our chickens; but we've got to take care of them. We inherited them along with other items in our legacy.

Magnitude of Support Problem

Let me indicate for you the magnitude of the price support problem which confronts us. We have been storing away our butter and using margarine, we have been storing away our own wool and using foreign wool, and we have been driving the textile business away from cotton and to synthetic fibers. We have in storage half of the 1952 crop of cottonseed oil.

On March 23 the Commodity Credit Corporation had on hand more than a billion dollars' worth of agricultural products, acquired under the various price support programs announced by our predecessors and for the greater part required by law. This included 110 million bushels of wheat and 259 million bushels of corn, some of which is four years old and is being sold to prevent spoilage. In addition, we have about 200 million bushels of corn, about 400 million bushels of wheat, and about 2 million bales of cotton under loan, practically all of which we can expect to acquire. This is what happens when price supports are not accompanied by production controls. I know you realize that the absence of production controls in recent years resulted from markets stimulated by foreign aid and by the accumulation of strategic reserves. This cannot continue indefinitely.

Tremendous Losses Expected

The cost of commodities now held by the Commodity Credit Corporation totals $1,106,952,000. If one adds the wheat, corn, cotton, and other commodities which we have under loan and are likely to acquire, the total comes to almost three billion dollars. This is equal to about 8% of our 1952 cash farm income from marketings, which is a sizable portion of our prouction to have locked up and held off the market. We face tremendous losses on the disposition of perishables, and undoubtedly some loss on the basic commodities as well. Remember that these losses will be on stocks of commodities inherited from the previous Administration.

It is probable that this will force us to revise the budget estimate of price support expenditures since losses will exceed earlier estimates. I do not need to tell you that this is a serious situation. It causes me regret to be holding down our expenditures for research and education in agriculture and at the same time to be increasing our expenditures for keeping farm products out of the market. There is a real possibility that the economies in operations, which we worked out carefully, item by item, will be swept aside by a loss in the present plan of supports.

In our loan program we have a tool which can serve an admirable purpose in stabilizing prices and supplies of the storable farm products. I regret that through such price supports we have placed on this device burdens to which it is not adapted and so served to discredit it in the eyes of the public.

It is a quirk of fate that our predecessors had the joy ride, the bill for which is now presented to us. We will pick up the bill, but from now on I hope we'll do more careful driving.

I am convinced that we can improve our present system of price supports.

We are giving careful study to a number of proposals, some of them involving legislation and some possible under present law. Some are old and some are new; some could be put into effect by the farmers themselves. Among these are price insurance, two-price plans and other proposals. A number of these appear to me to have promise.

We do not propose to scrap our present system of supports until we have something better. Our experience and our studies have convinced us that there must be something better.

Foreign Trade Endangered

Our inherited price support activities have upset foreign trade. With prices supported above normal levels, foreign trade in farm products suffers two ill effects.

We discourage exports by pricing ourselves out of the market. This

*An address by Secretary Benson before the National Farm Ranch Congress of the Denver Chamber of Commerce, Denver, Colo., April 7, 1953.

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has occurred for wheat, for example. We have been subsidizing the export of wheat to get it to move into world markets. During the past four years the average subsidy under the international wheat agreement was 62 cents per bushel, and a total cost over the past four years of more than half a billion dollars.

Our exports of wheat and cotton this year will be down about 25 and 30%, respectively, as compared with last year.

The causes for the decline were complex, but our inherited price supports were a factor.

World "Farm Umbrella"

Our supported prices draw foreign products to us like a magnet. We cannot possibly hold an umbrella over farmers of the whole world and support world prices. The law requires that we place an embargo on imports that would endanger our price support activities. Thus, we exclude trade from nations we want as friends. Ours is now the difficult and inherited task of trying to maintain foreign markets when the law prices us out of them, and trying to promote friendly relations with foreign nations whom the law requires us to offend by imposing embargoes against imports. To help solve these most complex problems we created on March 10 the Foreign Agricultural Service as one of the six major groups within my staff.

We inherited falling beef cattle prices. One of the most difficult problems we inherited—a continuing one—was the decline in the price of beef cattle, which had already been underway for more than a year when we took office.

The primary cause of that decline was the persistent rise in the number of cattle. During the last five years numbers of beef cattle have risen steadily from 41.0 to 56.8 million, in response to the highly attractive cattle prices of recent years. This was an increase of 39%. These were Democratic cows and bulls, but they created a Republican "surplus."

Our analysts had foreseen the increasing supply with the inevitable price decline and had warned farmers of it. But no one had foreseen the severity of the decline, which was rivaled only by the disastrous price drops of 1919-20 and of the early 1930's. During the past year, the price of feeder cattle at Denver fell from about $32.00 to $20.00. The severity of the price break was heightened by forced marketing through drought and a lack of feed in the Southwest and the liquidation of unfinished cattle as a stimulated fear of the future gripped many cattlemen.

Let me enumerate our actions in meeting this inherited situation. We knew that there was indeed a large supply, which no optimistic press releases could dissipate. We knew that the general economy was fundametnally strong so that the cattlemen's worst fears were unfounded. We were aware of the fact that OPS price control and its attendant compulsory grading were preventing the type of merchandising required to move this heavy supply of beef.

Accordingly, one of my first acts was to push for the removal of OPS. In a telegram to Governor Thornton I told him I was doing everything in my power to have the controls set aside. I know of nothing I have done since coming into office which met with more universal approval than the strong position I took on this matter.

Next we gave wide publicity to the fact that income and employment were at a high level. This served to allay the fears of many.

Aggressive Measures Taken

We then undertook to encourage more aggressive merchandising of meat, working with cattlemen's associations, the meat packers, the wholesale distributors, the grocery stores and the butcher shops. By more realistic pricing at the retail level and by imaginative merchandising the sale of beef as reported by one of the national chains has been increased 50% during the past two months compared with the corresponding months a year ago. The marked increase in beef consumption has been general.

We pushed beef sales to the Army.

Some beef is moving abroad through the Mutual Security Program.

We reimposed a tariff quota on cattle coming in from Canada.

We investigated the credit resources of cattlemen and found them generally adequate, with a few highly publicized exceptions.

Recently we announced an offer to buy beef to be distributed through the School Lunch Program. The purchases will be made with "Section 32" funds made available by Congress to encourage additional consumption of agricultural commodities by diverting surpluses from normal channels of trade.

Throughout this entire experience we were much heartened by the attitude of the cattlemen. We heard from the various cattlemen's associations. They offered constructive suggestions on such matters as grading, merchandising, credit, and imports.

They came to Washington at our invitation and at their own expense and drew up a 7-point program aimed at solving their own problems, with the Department helping on those things they are unable to do by themselves.

The program of action which I have described was not sensational but it has been effective. The troubles of the cattlemen are far from over. But our experience has confirmed our belief that we should appeal to the farmer's strength rather than to his weakness, and that there is much merit in the general policies under which we propose to operate.

The problem of falling prices of beef cattle was not of our causing, but it was ours by inheritance. We have dealt with it with all the diligence at our command, as we shall with other problems already at hand or visible on the horizon.

Courageous Farm Community

We inherited stalwart, courageous farm and ranch operators. Yes, there is one item in our inheritance which gives me pleasure, one legacy of such great value that it offsets all the difficulties I have named. I am speaking of the American farm and ranch operators — stalwart, courageous, venturesome, self reliant, trusted stewards of our agricultural empire and worthy custodians of the liberties and freedoms vouchsafed to us by the Constitution.

I have talked to the farmers and ranchers throughout the length and breadth of this land. I have worked with them all my life. I have held meetings with them in every State of the Union. I am one of them by birth and training, and I know them. They are solid, substantial citizens, patient, resourceful, and steadfast in their faith in America and its promise. I pledge anew today my every effort to promote the best interests of our rural people and the nation.

We have in our rural people—our farm operators — a great resource which is of immeasurable value to us all. Our objective will be to nourish, inspire and utilize this great resource in working out the problems that we have inherited.

Cater to Farmer's Strength

American farmers and ranchers have been characterized by some as grasping and selfish, heedless of the greater good. I think — I know — this is a misrepresentation, and it could be a fatal error. If we should cater to the weakness of the farmer, rather than to his strength, we would find ourselves trying to do for him things that he should do for himself. We would weaken his initiative, undermine his morale and prepare him for the inevitable role which awaits those who succumb to that seductive appeal. We would make him a ward of the State. That must never happen. There are some values more precious than fleeting, paternalistic, dollars.

What we can do—what we must do, with God's help—is to appeal to the farmer's strength, to help him do, through sound government, those constructive things which he cannot do by himself alone. No man is ever helped permanently by having someone else do for him what he should do and could do for himself.

The farmer asks for, and should have, a fair chance to make his own way in a field of fair competition. He should have reasonable assurance of stability in the economy. He should have opportunity for education and have available the results of research that will enable him to do an efficient job of feeding and clothing the people of this great land.

Our task is to see that he has these opportunities in an atmosphere of freedom, with a minimum of government regulation and control. The problems that we have inherited, numerous and difficult though they be, will not be great enough to deter us in that purpose. We will not let the farmer down.

Great decisions lie ahead of us. Let us not shrink from them. Let us debate the issues vigorously. There is safety for the nation in a free and informed people.

Yes, our challenge is to make and keep America strong—strong economically, socially and above all, morally and spiritually sound. Only in this course is there safety for the greatest nation under heaven. God grant we may not fail.

NY Security Dealers Annual Outing June 18

S. L. Roggenburg

The New York Security Dealers Association will hold their annual outing on Thursday, June 18 at the Pelham Country Club. Stanley Roggenburg, Roggenburg & Co., is Chairman of the outing.

Riecke Re-Elects

PHILADELPHIA, Pa.—John E. Parker, President of H. A. Riecke & Co., Inc., 1519 Walnut Street, members of the Philadelphia-Baltimore Stock Exchange, announced at the 14th annual employees dinner held at the Barclay Hotel, that directors of the company were reelected at the annual meeting of stockholders.

At their organization meeting, directors reelected H. A. Riecke as Chairman, John E. Parker as President and Darrah E. Ribble as Vice-President. New officers named were U. G. Warren as Secretary and Richard J. Handly, Jr., as Treasurer.

Railroad Securities

Great Northern

Bulls on railroad securities, and particularly those who closely follow the investment caliber shares, had at least one unusual treat when February earnings statements were given out. Great Northern reported a sizable net income for the month whereas, seasonally, it normally sustains substantial net deficits during this period of the year. As a matter of fact, it is not at all unusual for the road to fail to cover bare operating costs for the first quarter. Great Northern has three very important traffic sources, wheat, iron ore, and lumber products. Movement of all three, and particularly wheat, which is harvested in the early fall, and iron ore, which moves in heavy volume only when the Great Lakes are open, is highly seasonal.

The improvement in the road's fortunes so far this year has not been attributable to any substantial change in the normal seasonal traffic picture. As a matter of fact gross revenues for the month of February were off slightly from the levels of a year earlier. Weather conditions, however, have been considerably better during the past winter and operating conditions less severe than usual. As a result, costs have been kept under better control and this has been augmented by continuing operating benefits derived from the money that has been spent on additions and betterments to property and on new equipment, particularly diesel locomotives for mountain operations.

For February alone the road reported net income of $1,396,232 which was in sharp contrast with the net loss of $292,142 sustained in the like month a year ago. The February income was more than sufficient to offset the January, 1953, deficit and, for the two months, net income of $594,839 was reported. For the first two months of 1952 the company reported a net loss of $1,782,306. This year-to-year improvement of $2,377,145, equivalent $0.77 a share on the 3,092,583 shares of stock outstanding, was achieved with a gain of no more than $315,000 in gross revenues.

The prospects for the road over the balance of the year are considered most favorable, and near term earnings comparisons with 1952 earnings results should be particularly encouraging. The Great Lakes have opened early this year and the steel outlook has naturally resulted in a rush to get iron ore down to the Lake Ports as soon as possible and in as great volume as possible. There have been estimates that shipments for the entire open season may run as high as 100 million tons this year, a near record. Last year, when there was a complete stoppage of activity at the mines at the time of the steel strike, ore loadings came to around 75 million tons. The potential influence of the estimated near-record tonnage on Great Northern's 1953 operation is obvious.

Last year Great Northern reported earnings of $9.10 a share on its one class of stock despite the disruption of the iron ore stoppage and despite the fact that the lumber situation was spotty during most of the year. The road has started out 1953 with a significant year-to-year increase in earnings. Highly favorable comparisons are almost certain in March and April and again in the summer months of July and August. For the full year, then, the company appears assured of its best earnings since the war year 1942 and results could well compare favorably with the $11.63 of that year. Along with this earnings picture has naturally come the hopes in many quarters that the present $4 annual dividend rate may be liberalized, or at least augmented with an extra.

It is not only the near term prospects that have resulted in a better feeling toward the stock in investment circles. The long-term outlook also appears quite favorable from a traffic standpoint. In the Pacific Northwest the company serves an expanding industrial territory. It will benefit from the gradual opening up of new irrigated farm lands in connection with hydro-electric development. Finally, trafficwise it stands to be the major beneficiary of the oil exploitation of the Williston Basin.

A. Wm. Battin With Blyth in Phila.

PHILADELPHIA, Pa.—Blyth & Co., Inc., has announced that A. William Battin has become associated with the municipal department of its Philadelphia office, 123 South Broad Street. For the past 16 years he has been engaged in the municipal bond business in Philadelphia. He has recently been in the municipal department of Yarnall & Co.

A. Wm. Battin

Harold Merckle Adv. Dir. of Hunter Secs.

Harold Merckle has been appointed director of public relations and advertising of Hunter Securities Corp., 52 Broadway, New York City. Mr. Merckle was formerly associated in the public relations department of Republic Aviation Corp., Farmingdale, L. I., and was General Manager of the Davids Ink Co., Inc., New York.

Kenower, MacArthur Co. Opens New Branch Office

GRAND RAPIDS, Mich.—Kenower, MacArthur & Co., members of the Detroit Stock Exchange, have opened a branch office in the Michigan Trust Building under the direction of Melvin R. Stuit. Mr. Stuit was formerly Grand Rapids representative for John Nuveen & Co.

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Economic Consequences of Peace

By PAUL EINZIG

Dr. Einzig contends that unless adequate steps are taken to counteract economic consequences of peace the world might experience once more a series of deflationary prices and a long depression, not unlike that of 20 years ago. Says Western World does not appear to be well prepared for resisting "peace in our times" slump.

LONDON, Eng. — There has been since the end of March a distinct improvement in international political relations. Even though it would be premature to assume that the "cold war" and the rearmament race will now be ended, it seems reasonable to envisage this possibility to materialize in the near future. To judge by the reactions of Wall Street to the first "peace feelers," it is evident that the public is vaguely aware that such a change, however desirable in itself, is bound to produce adverse economic effects. In the absence of a fundamental relaxation of the international tension the rearmament program would continue, and even though it is supposed to be completed in a year or two, in practice it would probably be pursued after 1954, even though at a somewhat reduced scale. On the other hand, should peace hopes materialize, substantial arms orders are bound to be cancelled and stockpiling purchases would come to an end. This would tend to result in a slump in the commodity markets and large-scale unemployment in industries. Unless adequate steps are taken to counteract these economic consequences of peace the world might experience once more a series of deflationary prices and a long depression, not unlike that experienced 20 years ago.

Dr. Paul Einzig

It is of the utmost importance, not only from the point of view of safeguarding our prosperity but even from the point of view of the survival of democracy, that the governments of democratic countries should take urgent steps to cope with the new situation without delay. Unemployment on a large scale must not be allowed to arise. It would breed discontent and would pave the way for a bloodless Communist victory. One of the gravest charges made by the enemies of democracy is that the economic system of the Western World can only maintain a high degree of employment during periods of war and rearmament. Should experience in the near future be such as to enable our enemies to claim that this contention is confirmed it would go a long way towards discrediting the competitive economic system and increasing the number of those who seek salvation in totalitarianism.

Unfortunately the Western World does not appear to be well prepared for resisting a "peace in our time" slump. From time to time a few nations did try to arouse interest in the problems involved, but theirs were lone voices crying in the wilderness. When towards the end of 1950 some degree of international cooperation was established to regulate the distribution of scarce raw materials, the governments concerned were urged to make use of the organization for preparing plans for the day when the problem will be not one of scarcity but one of super-abundance. This was not done. As and when raw materials ceased to be scarce the organization set up in Washington lost interest in them. As far as is known no plans whatever have been made for preventing a disastrous slump with the aid of timely international cooperation.

The trouble is that official opinion and even expert opinion is too slow in adapting itself to fundamental changes. It is often said that in 1914 Britain was well prepared for the Crimean War and in 1939 she was well prepared for the war of 1914. Likewise the administrators and experts of the democratic countries during the 40's were slow in appreciating the fact that the postwar problem was no longer one of deflation but one of inflation. And in 1953 they have not yet realized adequately that the problem may become once more one of deflation. It took them too long to become thoroughly inflation-conscious and there is reason to fear that it will take them too long to become once more deflation conscious. Just as anti-inflationary measures have been "too late and too little" so will anti-deflationary measures miss their psychological moment unless official opinion can be made aware in time of the gravity and urgency of the problem.

It is true at the present moment the trend is still on the whole inflationary rather than otherwise. Any measures taken in defense against deflation would inevitably accentuate the evil of inflation. Even so, in existing conditions inflation is undoubtedly the smaller of the two evils. The continuation of the rising trend of prices, and even its accentuation, within reason, could not possibly be nearly as damaging or dangerous as a sudden slump and large-scale unemployment.

Each democratic country can play an important part in preventing deflation within its own borders. It is in the United States, however, that the decisive battle against deflation will be fought. The economic importance of the United States is so overwhelming that a slump there would largely frustrate the efforts of other democratic countries to resist deflation. A sharp fall in American imports would produce a disastrous effect on the free world. Amidst an acute crisis the United States would not be in a position to assist other countries, just at a time when such assistance would be needed the most.

Anxious eyes from all parts of the free world will be directed therefore towards the United States to see whether timely and adequate measures are taken to cope with the impending change in the situation. Beyond doubt the Washington Administration has the means, if it has the will, to offset the economic consequences of a cessation of the rearmament race. Much as the present regime favors non-intervention of the State in private economic activity, it seems inconceivable that a problem of such magnitude could be solved without State intervention.

For political and sentimental reasons the Republican regime would be understandably reluctant to revert to devices of the New Deal which have been denounced by Republicans for 20 years. There are, however, other means to achieve the desired end. To mention only one it would be a task well worth undertaking even for its own sake, apart altogether from its effect in preventing another slump, to restore the full productivity of the large territory which became virtually a desert during our lifetime in the middle of the richest and most efficient and progressive country in the world. We in Europe could never understand how the "dust bowl" was allowed to come about and why no effective action has been taken for removing that blot on American civilization. The technical problems involved are not unsurmountable and the untold billions of dollars the undertaking would require would indeed be well spent. In addition to solving their own domestic economic problem the United States would solve at the same time the economic problem of the entire free world. Such a gigantic undertaking would produce a very marked effect on the balance of payments of the United States and would solve the problem of the dollar gap. The democratic countries would no longer depend on American support and would be able to undertake the necessary anti-deflationary measures of their own without undue risk.

Admittedly it would mean a further increase of the colossal figure of the American public debt. This would be inevitable, however, in any case if deflation were allowed to take its course. The United States Government would eventually feel impelled to intervene and to fritter away many billions—in the same way as in the 30's—in face of the increasing gravity of the situation. A decision to take timely and adequate measures would do away with the necessity of such wasteful repetition of the experience of the previous Administration.

Continued from page 14

White House and Labor Disputes

help in a time of labor crisis. However, Presidential influence and authority through the end of the 19th century were used primarily to put down disturbances only *after* they occurred. It is only within the life-time of the oldest of us here that Presidents have been concerned as well with efforts to *promote* industrial harmony by sponsorship of sound mediation, conciliation and arbitration procedures and general measures of mutual benefit to labor and industry.

The Pullman Strike

The Pullman strike of 1894 is an even more important landmark than the Hayes intervention. Then, for the first time, President Cleveland authorized his Attorney General to seek an injunction against strikers. Though the President was widely applauded at the time, an impartial study in the light of modern attitudes clearly indicates there was more wrong than right in the methods used. That the President ended the strike is obvious; his motives—to prevent hardship and inconvenience to the public and to put an end to violence—cannot be impugned. Yet the fact remains that no Presidential intervention until recent times has been the subject of more widespread crticism. As far as is known, no move was made by the Administration to prevent the strike before it occurred or to end it through any mutual understanding, after it began. Although the President had no power to compel arbitration of the dispute, he has been held remiss in not attempting to bring the parties together. Not until the strike was broken, moreover, did he appoint a commission to study the facts.

Of this unhappy chapter in the history of labor-industry relations, it has been said that President Cleveland was too greatly under the influence of his Attorney General who—disliking the strike—made use of the courts to break it, first by obtaining an injunction against the strikers, and secondly by securing indictments against strike leaders and sending them to jail.

An even more forceful lesson in how a President should *not* intervene in a labor dispute is found in the record of the Coeur d'Alene strike of lead and silver miners in 1898. The tactics used in breaking this strike—tactics to which Federal authorities apparently closed their eyes—have since been branded as "the horrible example" in American labor history. Two days after President McKinley received a request from the Governor of Idaho for troops they were on the scene arresting miners in a wholesale fashion. For months several hundred strikers and strike sympathizers were held in a bull pen following arrest by soldiers acting as deputy sheriffs. Hardly less shameful was the fact that the army was used to enforce an anti-union plan requiring miners to sign work pledges. Such a system branded union members as criminals, hundreds of whom, though charged with no specific offense, were driven from the community.

Objection to these actions aroused President McKinley, who asked for the facts, and prompted more vigorous action by his Secretary of War, Elihu Root, who protested the use of Federal troops to guard civilian prisoners held so long without the justice of a trial. Six months passed, however, between the time the troops were dispatched to the scene until their eventual withdrawal. Yet no violence had occurred from the day the troops arrived.

No President since that time has permitted the use of Federal troops in connection with a strike except to put down violence and maintain peace. From that time the government has properly denied the use of troops to serve either faction in a dispute.

Beginning with the Twentieth Century and Theodore Roosevelt we have fortunately given more mature consideration to the varied problems involved in labor controversies of national consequence. The anthracite coal strike of 1902 marks the first important instance of Presidential attempts at mediation. Within three weeks after the start of the strike in late spring, the President asked his Commissioner of Labor—then an official of the Commerce Department—not only to investigate the dispute but to make recommendations to him for ending it. As fall approached with no hint of settlement, a creeping uneasiness spread over the country. Years later Roosevelt, in his autobiography described the situation: "It is not too much to say," he wrote, "that the situation which confronted Pennsylvania, New York, and New England, and to a less degree the states of the Middle West in October, 1902, was quite as serious as if they had been threatened by the invasion of a hostile army of overwhelming force." The President's attitude reflected the gradual change in the temper of the people regarding strikes—an attitude which admitted that operators as well as the miners might possibly be to some degree at fault. To Mark Hanna, who attempted to bring about a settlement, he wrote, "Of coure we have nothing whatever to do with this coal strike, and no earthly responsibility for it. But the public at large will tend to visit on our heads the responsibility for the shortage of coal, precisely as Kansas and Nebraska visited upon our heads their failure to raise good crops in the arid belt eight, 10, or a dozen years ago. I do not see what I can do, and I know the coal operators are especially distrustful of anything which they regard as in the nature of political interference. But I do most earnestly feel that from every consideration of public policy and good morals they should make some slight concession."

Theodore Roosevelt, First Presidential Mediator

So far as I know Theodore Roosevelt was the first of our Presidents to call both parties to the White House in an effort to bring them to agreement. But he was disappointed in the results; each side asked him to proceed against the other. A few days later he urged President Mitchell of the United Mine Workers to try to get his men back in the pits. Again he was unsuccessful. It remained for the tycoon of Wall Street, J. Pierpont Morgan, to become a hero in the struggle. Aware of the untenable position of the operators, Morgan worked with the Administration in drafting an arbitration agreement—and got the operators to accept it. He then requested the President to set up an arbitration board. A week later the strike was over.

In his prolonged effort to settle this great controversy, President Theodore Roosevelt established precedents and charted a new course for labor relations. His authority was public opinion rather than law. Years later he wrote, "There was no duty laid upon me by the Constitution in the matter." Yet in his concern for the public welfare, like Presidents who have followed him, he held that neither had the Constitution limited him in his efforts to deal with an emergency affecting vital interests of the people.

Limitations of time do not permit an evaluation of other instances of Theodore Roosevelt's intervention in labor matters. That he had learned the lessons of the past is clear from his refusal to use troops in the 1903 strike in the Colorado gold fields. That he was interested in prevention as well as cure of labor disputes is evident in his concern with a threatened coal strike in 1906, and a railroad controversy in 1909. In the coal case he urged both sides — though vainly — to avoid such a calamity as he felt a coal strike would be, and in the railroad case a letter from him was important in averting a strike.

By the time Woodrow Wilson became President more formal procedures had evolved for Federal action in labor disputes. The United States Board of Mediation and Conciliation was established during his Administration—a body that has evolved into today's Federal Mediation and Conciliation Service. Nor is it any longer unusual in disputes of national importance for the President to summon both parties to the White House for conference. But the Wilson era is notable for still other developments in Federal, and particularly Presidential techniques for promoting industrial peace. President Wilson through publicity of the facts, helped to mold public opinion as a means for settling industrial disputes.

In the summer of 1914, faced with the prospect of a strike on the western railroads, the President appealed to the patriotism of both workers and operators. To the operators he said, "The situation has reached a crisis which hardly permits a full consideration of the merits of the controversy. I feel that in the circumstances I can appeal with confidence to your patriotism and your regard for the public welfare to make whatever sacrifice is necessary to avert a national disaster."

This first instance of an appeal to patriotism was repeated on various occasions in the years following, but not always with equal success. Faced with a crisis in 1916, Wilson asked Congress for power to seize the railroads with

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authority, in case of military necessity, to draft into the military service such train crews as circumstances might require. The President's action averted a strike, and the Adamson Act which followed his appeal gave the railroad workers the eight-hour day they were seeking. It failed, however, to give the President the requested seizure authority. When the railroads sued to enjoin the Adamson Act and a strike threat was raised once more, the President again displayed leadership in sending word to the operators that under no circumstances should there be a strike. His firm position was promptly reinforced by a Supreme Court decision upholding the legality of the Adamson Act. In this case, as we have seen happen on more than one occasion since, the President was accused of surrendering to the union.

A far cry that was from the time of Cleveland and McKinley when Federal troops were used as agents of the "bosses" for strike breaking and "union-busting"!

During World War I the government for the first time developed a positive labor policy. The President had a program to deal with and prevent disputes. He had seizure authority, but he established the War Labor Board to handle disputes. The success of this wartime labor policy was due partly to the President's approach, but also to the patriotic response of labor and management. There was a glimmer of hope by this time that a constructive national labor policy would be possible in peacetime as well as in war.

President Wilson was not always successful, as witness the coal strike of 1913-14. Nevertheless, throughout his term of office, he was fairly successful in dealing with labor problems. His strong support of the War Labor Board and the promise given by Samuel Gompers to do everything possible so avoid strikes were of powerful assistance to him.

Seizure was one of the weapons Wilson considered necessary during the war period. As outlined in last year's Supreme Court decision in the steel case, seizure has been used only in periods of war or defense emergency. The first instance of government seizure of private property during the Civil War, when railroad and telegraph lines were taken over by the Federal Government, bears no relation to labor controversy and is not our concern here. Not until the First World War was property seized as an outgrowth of labor strife. Some of these instances, particularly the seizure of railroad and telegraph lines and the Smith and Wesson case, are historic, the latter particularly from a legal point of view. Although this period was characterized by more strikes than had ever occurred before, the instances of seizure are comparatively few.

Some of the President's least successful efforts to settle disputes came after the war itself was over. The outstanding examples were the steel and coal strikes of 1919 which together comprise one of the dark chapters in American labor history. Critics of the government's actions in these cases, including the use of troops and injunction, have pointed to Wilson's illness as a circumstance shielding him from full blame. The popular reaction was illustrative of the changing climate of public opinion. In the coal case, educators, church groups, editors and public opinion generally were immediately aroused both in protest over the coercive methods used by the government and the hostile, inflexible position of the operators.

The Inter-War Period

The period between the two World Wars—the fabulous Twenties and the depression-ridden, war-clouded Thirties—marked another milestone in the history of White House influence on industrial peace. The record of the period, though far from spotless, was nevertheless largely characterized by efforts to provide machinery to *prevent* disputes as well as to settle them fairly. In 1926 the Congress passed the Railway Labor Act, under which the National Mediation Board was established. For the first 15 years of the Board's operation—up until the World War II era, in fact—the prestige of the fact finders and the cooperative attitude of both parties, served to achieve prompt settlement of disputes.

Sanction given to arbitration through the railway legislation marked the greatest advance up to that time in the development of a national labor policy.

The advances made in the Thirties, as we all know, were even more notable. The passage of the Wagner Act, a major event in American legislative and social history, had been of such momentous consequence that I think we may now digress from a recital of history to discuss in the few minutes left some broader questions of policy.

As one who has been privileged to serve the public under three Presidents, in both war and peace, I have had a unique opportunity to observe a growing tendency on the part of both labor and management to bring their disputes to the White House. This is not done as a matter of principle, for neither management nor labor prefers their disputes to be settled by any third party, even the President. Also both parties agree that collective bargaining is superior to any form of arbitration, by however objective and neutral an agent.

More White House Intervention in Last Two Decades

It is, however, a fact that during the last 20 years, and particularly in the dozen years since the beginning of the last war, national crises have made it necessary for the White House to intervene more frequently in labor disputes. In these years the national welfare has been considered paramount, prompt settlement imperative, and, as a consequence, the White House has been forced into the picture more and more.

In this atmosphere of national emergency, the Congress, after long debate, enacted the so-called Taft-Hartley Act, which, like its wartime predecessor the Smith-Connally Act, modified certain provisions of the Wagner Act. And Congress is still in the process of debating procedures and mechanisms of government intervention.

The three Presidents under whom I served, however, were all committed to the principle that the problems of sound relationships between the elements in our economy must be worked out under democratic processes of free collective bargaining rather than through legalistic measures enacted by the Congress. History has shown that the long range public interest is best served when labor and management are each fully aware of the key role it plays in the national economy—and accepts its responsibility accordingly.

Thoughtful students of American history agree that government cannot by regulation or law decree good relationships between employers and employees. Only enlightened leadership of both management and labor can arrive at a democratic solution of their problems.

Industrial peace is not fundamentally a question of laws enacted by Congress, or of procedures worked out by the National Labor Relations Board, by wage stabilization boards, or by quasi-judicial agencies. It is a matter of good will on both sides. Both labor and management need to take a long look back at our turbulent labor history and to exert a willingness to bargain if they are to arrive at solutions to their problems within the framework of our democratic institutions.

As long as labor problems are not resolved by these free processes, they will continue to be of concern at the highest level—the White House. President Eisenhower has not yet had to face the responsibility of taking action on a labor situation—but as everyone in this room knows, he soon may, and finally he certainly will.

We have laws today that require action by the President in case of emergency. The Taft-Hartley Act, the Railway Labor Act, and under specified conditions, the Selective Service Act, impose upon the President the obligation to take action to prevent injury to the public welfare as the result of strikes. However, labor disputes important enough to be brought to the President's attention must first have gone through legal channels. To be sure, since the President knows many of the labor and industry people, they tell the White House about disputes that are brewing. The National Mediation Board and the Federal Mediation and Conciliation Service likewise keep the President fully informed—but the White House is extremely careful and properly so, to have nothing to do with labor disputes until they are submitted through legal channels.

But today and tomorrow—as in the days of President Hayes—coercion of any sort, if that is necessary, provides at best only a temporary solution. Laws, as the Taft-Hartley Act has demonstrated, can become political issues. Moreover, laws as a rule reflect principles already formed and restrict rather than enlarge the framework in which opposing labor and management interests can work. Laws seldom lead to new concepts. Progress in labor relations consequently, as in every aspect of our national life and culture, depends on the determination of workers and employers alike to keep their problems from becoming public issues.

Progress of this kind is the only avenue by which the goal of less government mediation can be achieved.

Agricultural Ins. Stk. Offer Underwritten

The Agricultural Insurance Co. on April 15 offered to holders of its capital stock, rights to purchase 100,000 additional shares of capital stock at $30 per share at the rate of one share for each three shares held of record on April 14, 1953. The subscription warrants expire on April 29, 1953. A group of underwriters headed by Blyth & Co., Inc., will purchase any unsubscribed stock.

The Agricultural Insurance Co. was organized in 1852 and it and its subsidiary, the Empire State Insurance Company, are principally engaged in writing fire insurance and allied lines of insurance. Proceeds of the sale of the capital stock now being offered will be added to the company's general funds to permit the future expansion of its business.

Agricultural has paid cash dividends on its capital stock in each year since 1864. A quarterly dividend of 40 cents per share was paid on April 1, 1953 to stockholders of record March 16, 1953.

In 1952, the consolidated net premium writings of the company and its subsidiary were $17,291,000 and consolidated net income before any adjustment for equities in unearned premium reserves amounted to $934,000.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating earnings of the New York City banks for the first quarter of the current year were generally favorable.

Of the 13 major institutions which publish interim operating statements, nine showed a gain in income, one reported no change and three had results slightly below those of the corresponding period of a year ago.

For the three large New York banks which do not report quarterly earnings, indicated results showed two with higher and one with lower earnings. Because of capital changes in the first quarter of 1953 which increased the number of shares outstanding of the Bank of Manhattan by 250,000 through an offering to stockholders, indicated earnings for the quarter of this institution have been distorted and are not entirely comparable.

A tabulation of earnings for the first quarter of 1953 compared with the similar period of a year ago is presented below.

	Per Share Earnings—First Quarter 1953	1952
Bank of New York	$7.04	$6.41
Bankers Trust	0.96	1.00
Chase National	0.84	0.82
Chemical Bank	1.08	0.96
Corn Exchange	1.32	1.23
Empire Trust	*2.61	*2.16
First National	*5.40	*5.54
Guaranty Trust	0.98	1.04
Hanover Bank	*1.42	*1.40
Irving Trust	0.39	0.39
Manufacturers Trust	1.37	1.28
J. P. Morgan & Co.	4.37	4.86
†National City	1.03	0.91
New York Trust	2.14	2.11
Public National	0.93	0.88
United States Trust	5.23	4.49

*Indicated earnings. †Includes City Bank Farmers Trust.

Figures have been adjusted for the stock split made by Guaranty Trust and the stock dividends paid by Empire Trust and National City.

The operating statements reflect the trends which have been dominant in bank operations over the past several years—rising loan volume and firming interest rates. The shift of earning assets from low yielding short-term securities into business loans at improving interest rates has enabled the banks to report a continuing and substantial expansion in gross operating income.

Although operating expenses gained they have been easily absorbed and pre-tax earnings have increased. The rise in income has meant that most institutions have accrued larger tax liabilities including, in one or two instances, excess profits taxes. To some extent these accruals and charges may have distorted quarterly earnings. In other words should the Excess Profits Tax expire on June 30, such liability would be substantially reduced on current earnings. Also, banks may minimize their EPT liability by taking capital losses on securities later in the year.

In spite of this increase in tax provision, however, most of the banks were able to report an increase in operating earnings.

In reviewing the quarterly statements it is interesting to note the expansion in loan volume from the level of last year. All of the banks showed an increase with an average gain for the group equal to 10.6%.

	Loans & Discts. Mar. 31 1953	1952	Increase	Percentage Increase
	—000's Omitted—			
Bank of Manhattan	$571,368	$521,943	$49,425	9.5%
Bank of New York	188,225	151,910	36,315	23.9
Bankers Trust	1,015,235	937,074	78,161	8.3
Chase National	2,463,009	2,154,669	308,340	14.3
Chemical Bank	777,398	736,179	41,219	5.6
Corn Exchange	179,459	126,189	53,270	42.2
Empire Trust	47,131	42,597	4,534	10.6
First National	231,024	184,028	46,996	25.5
Guaranty Trust	1,412,594	1,344,025	68,569	5.1
Hanover Bank	643,010	567,201	75,809	13.4
Irving Trust	601,183	573,621	27,562	4.8
Manufacturers Trust	864,060	805,452	58,608	7.3
J. P. Morgan & Co.	321,163	296,235	24,928	8.4
National City	2,289,400	2,049,298	240,102	11.7
New York Trust	344,173	326,661	17,512	5.4
Public National	273,663	234,625	39,038	16.5
U. S. Trust	60,763	48,823	11,940	24.5

This sizable expansion in bank loans has been accompanied by a general firming of interest rates. Thus, even though there has not been an increase in deposits or earning assets, a better rate of return has been earned on outstanding loans and investments.

The present loan volume and the prevailing level of interest rates indicates that banks will continue to show favorable operating results in succeeding quarters.

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C. 2
Branches in India, Pakistan, Ceylon, Burma, Aden, Kenya, Tanganyika, Uganda, Zanzibar, and Somaliland Protectorate.
Authorised Capital £4,562,500
Paid-up Capital £2,281,250
Reserve Fund £3,675,000
The Bank conducts every description of banking and exchange business.
Trusteeships and Executorships also undertaken

COMPARISON AND ANALYSIS
17 N. Y. City Bank Stocks
March 31, 1953
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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The **United States Trust Company of New York** observed on Monday of this week (April 13), its 100th birthday. Incorporated in April, 1853, the company has operated for a full century with no change of name, without merger and without modification of its original purpose of specialization in the fiduciary field. When the company was formed, a few financial institutions of the day offered trust service as an incidental adjunct to their general banking or insurance functions, but trust services as we know them today were virtually non-existent. With the increasing wealth of the country, the founders of United States Trust acted on the premise that a need for trust services was developing even though there was little public awareness of that need.

Benjamin Strong

In its announcement, incident to its anniversary, the company says in part:

"Opening for business at 40 Wall Street (across the street from the premises now, and since 1889, occupied by the company) with a capital of $1,000,000, United States Trust during its first full year of operations — 1854 — had total income of $75,689 and expenditures of $39,663. Deposits on Dec. 31, 1854 stood at $408,059. During 1854 a dividend was declared, and since that time a dividend payment has never been omitted by the company. The first trust account was not opened until one year after organization when on April 18, 1854 "The President," according to executive committee minutes, "was authorized to receive from Charles Engler and hold in trust for him about $25,000 of stocks and bonds."

"Notably since the turn of the century, growth of the trust idea has been such that United States Trust was able to state in its annual report for 1952: 'The fiduciary, agency and custody assets entrusted to our care reached on Dec. 31, 1952, the highest figure yet recorded — $2,845,096,456, of which $1,327,520,879 represented personal trusts, estates, etc., $910,151,207 investment agency accounts and $607,424,370 custodian accounts. These figures do not include corporate, pension and profit-sharing trusts.

"Throughout its century of life, United States Trust Company has had only seven Presidents, including Benjamin Strong who has headed the institution since 1947. Something of a record for length of active service to any American corporation was established by John A. Stewart, the company's first elected officer and its second President. Mr. Stewart was appointed Secretary in April, 1853, beginning an executive association that was to extend for 73 years until his death in 1926 at the age of 104. He was Secretary during the period 1853-1865; President, 1865-1902; Chairman of the Board of Trustees, 1902-1926."

* * *

Robert J. Pollock has been appointed a Second Vice-President of the **Chase National Bank of New York**, according to an announcement by Percy J. Ebbott, President. Mr. Pollock has been with the bank for the past 25 years and was appointed Assistant Cashier in the Personal Department in 1951.

* * *

Two promotions at the Broadway at 38th Street Office at **Chemical Bank & Trust Company of New York** were announced on April 10 by N. Baxter Jackson, Chairman. Louis Hellerman was advanced from Assistant Vice-President to the position of Vice-President and Administrative Officer. Leo Schneider was advanced from Assistant Vice-President to Vice-President. These officers have been associated with the Broadway at 38th Street Office since 1934 and 1933, respectively. Mr. Hellerman, a certified public accountant, has specialized in loans and credits. Mr. Schneider has been directing customer relations and business development.

On April 14 it was made known by Chairman Jackson that Alvin S. Kaplan, formerly Assistant Secretary, has been advanced to Assistant Vice-President and Melvin H. Shagam has been appointed Assistant Secretary at the Broadway at 38th Street Office of **Chemical Bank & Trust Company.**

* * *

At the regular meeting of the Board of Directors of **The National City Bank of New York**, held on April 14, Frank R. Rappel, formerly an Assistant Cashier, was appointed an Assistant Vice-President and Hugh T. McGowan was appointed an Assistant Cashier. Mr. Rappel supervises the day and night force check handling operations of the bank, and Mr. McGowan is head of the Foreign Outward Bills department.

* * *

The election of William S. S. Rodgers to the Board of Directors of the **Empire Trust Company of New York** was announced on April 14 by Henry C. Brunie, President of the Bank. Mr. Rodgers is a Director, as well as a member of the Executive Committee of the Texas Company, of which he was Chairman of the Board until March 1, 1953. He is also a Director of the Freeport Sulphur Co., National Dairy Products Corp., Great American Insurance Co. and Chairman of the Board of the National Safety Council.

* * *

Irving Trust Company of New York announced on April 15 that Stephen G. Kent, formerly Resident Counsel, has been made General Counsel while H. T. Hall, Oscar B. Lowman and William A. Onderdonk, formerly Assistant Resident Counsels, were named Counsel. Ralph B. Plager was also elected a Counsel of the Company. Mr. Kent came to the Irving in 1920, Mr. Hall in 1928; Mr. Lowman, joined the Irving in 1929; Mr. Onderdonk joined the Irving in 1926. All the officers except Mr. Plager came to the Irving from practice in New York City. Mr. Plager joined the Irving in 1925.

* * *

Under the charter and title of the **Meadow Brook National Bank of Freeport, N. Y.**, the consolidation was effected on March 31 of the **Port Washington-Manhasset National Bank of Port Washington, N. Y.**, with the Meadow Brook National. At the effective date of the consolidation the enlarged Meadow Brook National Bank had a capital stock of $2,609,583.33⅓, divided in 260,958⅓ shares of common stock (par $10 each); surplus of $2,500,000; and undivided profits of not less than $586,416.66⅔. The Meadow Brook National, before the present consolidation had common stock of $1,770,000 and the Port Washington-Manhasset National Bank a common capital stock of $775,000. It may be noted here that as of Oct. 31 last the **People's National Bank of Lynbrook, Long Island, N. Y.**, was consolidated with the Meadow Brook National Bank; references thereto appeared in these columns Nov. 20, page 1933, and Nov. 27, page 2038.

* * *

Effective April 14 the **Franklin National Bank of Franklin Square, Long Island, N. Y.**, increased its capital from $3,800,000 to $3,850,000 by a stock dividend of $50,000. Earlier this year, on Feb. 1, the capital was enlarged from $3,750,000 by a similar stock dividend of $50,000.

* * *

Clark E. Dixon, Vice-President in charge of the Pleasantville Office of **The County Trust Company of White Plains, N. Y.**, since 1934, completed 30 years of association with the bank on April 10. He is a graduate of New York University and the American Institute of Bankers, and served in the Army during World War I.

* * *

The Mystic River National Bank of Mystic, Conn., with common capital stock of $100,000, was placed in voluntary liquidation on March 30, having been absorbed by the **National Bank of Commerce of New London, Conn.** The latter increased its capital effective March 26, from $300,000 to $600,000 by a $300,000 stock dividend.

* * *

The **Newtown Title & Trust Co. of Newtown, Pa.**, a State member of the Federal Reserve System, has changed its title to the **Newtown Bank & Trust Co.**, effective March 2, according to an announcement by the Board of Governors of the Federal Reserve System.

* * *

The First National Bank of Somerset, Pa., with a capital of $100,000, was merged with the **Somerset Trust Co. of Somerset**, under the charter and title of the latter, effective Feb. 28.

* * *

The consolidation was effective on March 31, of the **Citizens National Bank & Trust Co. of Mansfield, Ohio**, and the **Mansfield Savings Trust National Bank of Mansfield** under the charter of the **Citizens National Bank & Trust** and under the title of the **First National Bank of Mansfield.** The Citizens National Bank & Trust had a common stock of $600,000 while the Mansfield Savings Trust National had a common stock of $1,200,000. The consolidated bank will have a capital stock of $1,905,000, in 76,200 shares of common stock (par $25 each); surplus of $2,540,000 and undivided profits of not less than $205,000.

* * *

Frank E. Hickey, Treasurer of Lapham Hickey Steel Co., has been elected a member of the Board of Directors at **Standard State Bank, 79th** and Ashland Avenue, **Chicago**, it was announced on April 7 by Bartholomew O'Toole, President. Mr. Hickey is affiliated with Hill-Chase Steel Company of Philadelphia and is a director of the Beverly Corporation. He attended Armour Institute of Technology and Wendell Phillips High School.

* * *

The Board of Governors of the **Federal Reserve System** announced on April 7 the appointment of Clifford M. Hardin, Director, of Michigan Agricultural Experiment Station, Michigan State College, East Lansing, Mich., as a director of the **Detroit Branch** of the **Federal Reserve Bank of Chicago** for the term ending Dec. 31, 1954. Mr. Hardin succeeds John A. Hannah, President, Michigan State College, East Lansing, Mich., who resigned as a director of the Detroit Branch following his appointment as Assistant Secretary of Defense.

* * *

The issuance of a charter for the **Utica Square National Bank of Tulsa, at Tulsa, Okla.**, is announced in the March 30 Bulletin issued by the office of the U. S. Comptroller of the Currency. The capital of the bank is indicated as $300,000, and the surplus as $125,000. In the primary organization C. W. Cotton is listed as President and Ben D. Floyd, Jr. as Cashier.

* * *

The capital of the **National Bank of Commerce of San Antonio, Texas**, has been increased from $1,500,000 to $2,000,000, effective April 1. Of the increase $200,000 resulted from a stock dividend, while the additional $300,000 was brought about through the sale of new stock.

In an item in our issue of April 2, page 1447, intended to refer to an increase in the capital of the **United States National Bank of Denver, Colo.**, from $1,100,000 to $2,200,000, the name of the bank was given as the "United States Bank," the word "National" having been inadvertently omitted.

* * *

Two officers of the **Bank of America National Trust & Savings Association of San Francisco**, have been promoted to Assistant Vice-President and assigned to San Francisco headquarters, it was announced by Carl F. Wente, President of the bank. Darrow L. Sutton, formerly Assistant Cashier in Berkeley Main Office, has been transferred to the Corporation and and Bank Relations department, and Julius M. Martin, Manager of Red Bluff branch for two years, to the Loan Supervision department. Mr. Sutton will represent the bank in Eastern seaboard territory, working out of the headquarters office.

When Lott Otis Ivey, Vice-Chairman of the Board of Directors of **Citizens National Trust & Savings Bank of Los Angeles, Cal.**, reached his 50th anniversary with the bank in March of this year, he rounded out a history of family service unique in American banking. His brother, Herbert D. Ivey, Chairman of the Board of Directors, had celebrated his 50th anniversary only a short time before, in January, 1953, which means that the two brothers have now been with Citizens National for a total of 100 years. The Iveys joined Citizens National in 1903 as messengers, in the days when the bank and community were modest in size. As they moved up through the ranks to their present positions, the bank itself grew until there are now 34 branch offices in a community of almost two million people.

T. E. Ivey, Jr., Vice-President and director of **California Bank, Los Angeles**, has completed 45 years of service with the bank. Mr. Ivey entered the employ of the bank as a messenger April 1, 1908, and was advanced to Assistant Cashier in 1912. Following two years' service as a Second Lieutenant in the Air Service Signal Reserve Corps during World War I, he returned to the bank and was promoted to Cashier in 1923 and to his present position as Vice-President in 1928. Mr. Ivey is a director and member of the Executive Committee of California Trust Company and also holds directorships in the Widgeon Land Co., Better Business Bureau of Los Angeles, etc. He is presently serving as Southern California State Chairman of the American Bankers Association's Treasury Savings Bonds Committee, and is former director of the Association of Reserve City Bankers; former Chairman of Group Five, California Bankers Association; and former California State Vice-President of the American Bankers Association.

* * *

The **Anglo California National Bank of San Francisco, Cal.**, rounded out its 80th year on April 5, according to an announcement by Paul E. Hoover, President. The institution was incorporated on April 5, 1873, under the name of the **Anglo-Californian Bank, Limited**, with its first office located at California and Leidesdorff Streets in San Francisco. Its antecedents, however, went back to the Gold Rush days, according to the curent announcement which adds that the bank was the direct outgrowth of an importing business established in San Francisco in 1850 and that gradually entered the banking field. Anglo Bank, as it is popularly called today, has 34 offices in 19 Northern and Central California cities.

* * *

In announcing the 99th Ordinary General Meeting of the stockholders of the **Chartered Bank of India, Australia & China** held in **London** on April 1, it is noted in the advices with references thereto made available April 2, that the bank was originally chartered on Dec. 29, 1853 and is therefore this year celebrating its 100th year of operation. Of the numerous oversea banks granted royal charters during the Nineteenth Century, says the announcement, only the Chartered Bank of India, Australia and China survives as originally incorporated. The bank continues to prosper throughout those countries in southern Asia, which 100 years ago were under the jurisdiction of the East India Company. It is further stated by the bank:

"As in the last few years the bank's balance sheet has increased out of all proportion to the issued stock and capital and reserve fund, it was felt that the opportunity should be taken this year to strengthen both the issued capital and reserve fund. Accordingly, before closing the books for the year, a sum of £1,000,000 was transferred from contingencies account to reserve fund raising the latter to £5,000,000 with a view to subsequently capitalizing £500,000 of this sum."

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Thomas McCance Joins Directorates

Thomas McCance, partner of Brown Brothers Harriman & Co., has been elected a director of the following companies in the Commercial Union-Ocean Group of fire and casualty insurance companies, according to Harry W. Miller, United States Manager: Commercial Union Assurance Co. Ltd.; The Ocean Accident & Guarantee Corp. Ltd.; Commercial Union Fire Insurance Company; The Columbia Casualty Company; The Palatine Insurance Co. Ltd.; Union Assurance Society Ltd. and British General Insurance Co. Ltd.

Mr. McCance succeeds Thatcher M. Brown, senior partner of Brown Brothers Harriman & Co., who joined Brown Brothers & Co. in 1897. In order to reduce the extent of his business activities, Mr. Brown has relinquished his connection with the Commercial Union-Ocean Group after 44 years of service which he commenced as a trustee of the Ocean Accident and Guarantee Corp. Ltd. in 1909. In that position, Mr. Brown succeeded his father, John Crosby Brown, who was one of the original trustees of the company on its entry into the United States in 1895. Thatcher Brown is a director of a number of companies and for many years has been a trustee of the Presbyterian Hospital and a director of Union Theological Seminary.

Mr. McCance has been with Brown Brothers Harriman & Co. since 1929 and became a partner of the firm in 1945. He is a trustee of the Seamen's Bank for Savings in the City of New York, and a director of Commercial Pacific Cable Company, Union Sulphur & Oil Corporation and various other companies.

W. L. Burton to Form NYSE Member Firm

William L. Burton, II, will acquire membership in the New York Stock Exchange as of April 24 and will form a partnership with Richard J. Murphy under the firm name of William L. Burton & Co. with offices at 25 Broad Street, New York City. Both are partners in Wm. L. Burton & Co., dealers in over-the counter securities.

Phila. Inv. Women Club To Hold Dinner Meeting

The Investment Women's Club of Philadelphia will hold their regular dinner meeting Monday, April 20 at 6:30 p. m. in the Sylvania Hotel. The speaker will be Harold C. Stott, Vice-President and Treasurer of Albert M. Greenfield & Co., and his subject is titled "Investment Pillars." A certified public accountant and financial analyst, Mr. Stott has served continuously in important financial administrative posts in the business world.

Joins Hill Richards

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Charles R. Rose is now connected with Hill Richards & Co., 155 Montgomery Street, members of the San Francisco Stock Exchange. He was previously with Hannaford & Talbot.

Moriarty Joins Kidder

(Special to The Financial Chronicle)

TALLAHASSEE, Fla.—Patric J. Moriarty has become associated with A. M. Kidder & Co., Hotel Floridan. Mr. Moriarty was formerly a partner in George J. Moriarty & Co. of East Orange, N. J., and Bradenton, Fla.

Continued from page 9

A Clear Case of Financial Malnutrition

of our customers than the government was able to do.

Nor do I have any doubt of our ability to provide properly for the needs of new and small enterprises. That is a responsibility, of course, which falls even more heavily upon you, who are industrial distributors of steel, than it does upon us at the mills; and no one can deny, I think, that you have handled this job magnificently. I see by the papers that more new businesses were started last January than in any other month during the past five years; and that is a record which speaks for itself. Clearly, new business is not being choked off by a shortage of steel.

I would also point out in this connection, that nearly 20% of all the tonnage produced by the steel industry last year went to warehouses; and that this a larger slice of our total steel supply than went to any other single group of customers which we serve from our mills. So we producers, too, have been doing our part for small business.

But in my opinion we shall never be out of the woods entirely as long as there is any shortage of steel whatever; for while it may be possible to distribute a shortage equitably, there is no way to distribute one satisfactorily. Even if we succeed in treating every customer with absolute fairness, it merely means that no one of them will get as much steel as he wants, and thus all of them will be dissatisfied. So if we are to prevent the return of rationing, as I profoundly believe that we must, the only sure way to do it is to produce all the steel that this nation wants to buy.

Now that, of course, is a matter that lies outside your specialized province. It is a responsibility that falls directly upon those of us who are engaged in the production end of the business; and it raises some pretty difficult questions. We are, I am afraid, in our usual unhappy situation where anything we do is wrong; but whatever we do will be a matter of considerable importance to you, both as buyers and sellers of steel, and so I want to outline this problem for you today as briefly and as simply as I can.

Steelmaking—A Feast-Or-Famine Business

Steelmaking has been, historically, a feast-or-famine business. We have survived, thus far, only because we have followed the old reliable prescription set forth in the Biblical story of Joseph and Pharaoh. We have put aside enough provender in the fat years to see us through the lean ones—or at least we used to. But a great change has occurred in that practice.

Since the start of World War II, we have enjoyed 12 years of sustained production at record-breaking levels. We have spent heavily of our substance to build the huge new steel capacity that our country has demanded in this period of national emergency. Since Korea, moreover, we have sought to place this nation on a "guns and butter" standard that has never before been attempted—so far as I know—anywhere else on earth. We have met every requirement of our government for steel, and at the same time we have tried to satisfy, fully, all the wants of our civilian population—wants that have been considerably stimulated by the subcompetitive price at which steel products have sold for many years. But while our production has increased enormously under the impact of wartime demands our profits have shrunk steadily under the burden of wartime controls and taxation. So we have not been able to lay anything aside for the lean years if they come. There's no fat left on our financial bones.

If world-wide peace should become a reality this year—as all of us earnestly hope that it may—much of the new capacity that we have built at today's greatly-inflated costs would no longer be needed; and a number of our steelmaking facilities would be left standing idle; for as one of our competitors has put it: "We've stuck our necks out a mile" on our present expansion program.

Yet, if the war should spread, and if our nation should suddenly demand a further expansion of our industry, we would have to build still more new plants at even more highly-inflated prices. And no matter which way the cat may jump, we must always continue to develop new sources of raw materials and to modernize our facilities so that the industrial strength of our nation may be assured in the generations to come.

So, if it is to serve the public interest fully and to provide the plentiful supply of steel necessary to insure the economic and military security of the people of this nation, the steelmaking industry must be able and ready at all times to do three things: It must be strong enough to finance a vast new program of construction at a moment's notice. It must be healthy enough to withstand the financial shock of a substantial decline in demand for steel. And it must be profitable enough to fulfill its costly commitments in the development of raw materials and new equipment.

The Jackpot Question

And so we come to what is usually known, I believe, as the jackpot question:

"Is the steel industry strong, healthy and profitable enough to meet any and all of these requirements?"

Well, I'm afraid we both know the answer to that one. The condition of the steel industry as a whole depends, of course, upon the condition of each of the individual steel companies. Its strength is their strength. Their weakness is its weakness. And while I cannot presume to speak for any other company, or for the industry itself, I can speak with some knowledge and a great deal of feeling about U. S. Steel. So let's look at the facts:

Suppose we must suddenly build a lot of new capacity. Where do we get the capital to do it? With construction costs as they are today, and with steel prices at their present levels, a fully-integrated new plant would probably produce a profit of about 1½% on the capital invested in it; and where—outside a mental institution, perhaps—can we find anyone who would be willing to risk his money with us at that rate, when he can get twice as much income from a Government savings bond? Obviously, therefore, we should have to rely heavily upon our ability to plow back, into the business, the profits from our old, established operations.

But where are these profits and what do they amount to?

Well, let's see what has happened to the earnings of U. S. Steel since 1940. I say 1940 because that, I suppose, was the last year of what might be described as normal, peace-time operations in the steel industry. The depression was over; America's participation in the war had not begun; and a dollar was still worth a dollar all over the world. Our mills were operating at a normal peace-time rate, and our business was yielding what would generally be regarded, I think, as a normal, peace-time profit.

Now since 1940, the capital invested in our business alone has been increased by more than $1½ billion. Our steelmaking capacity has been enlarged by nearly 25%, and our production has risen enormously. In fact, the annual average of our steel shipments throughout these 12 years has been 35% above the level of 1940. But only twice in that entire period has the dollar profit of our company been as large—in terms of actual purchasing power—as it was in 1940.

That means, in effect, that in ten of the past 12 years, we did not earn one penny of increased return on the billion and a half of additional capital that has been poured into our business, nor did we, in effect, net a dime of added profits on the millions of extra tons of steel that we produced for the people of this nation. And that experience has been characteristic of the steel industry as a whole.

Each year the National City Bank compiles a list of the 45 principal industries in the United States and reports the profits that each of these industries is making on its net assets. In the depression years, from 1931 through 1934, the steel industry stood ninth from the bottom on this list. In the so-called recovery years of 1936-39, it dropped still further—seventh from the bottom. In the postwar years, 1946-49, it was eleventh from the bottom. Then in 1950—its best year in a decade—it struggled up almost to the middle of the list, but that was only temporary. Last year, under the weight of taxes, controls and strikes, it had dropped back once more to thirteenth from the botton. And so, year after year—in prosperity and in depression; in peace and in war—steel profits have lagged historically behind those of other industries.

And the reason, of course, is clear. Since 1940, U. S. Steel's employment costs have risen 155%. The cost of the goods and services we bought have increased by 138%. But the price of steel has gone up only 87%.

A little more than two years ago — in January of 1951 — the government clamped down the new wage and price controls that have recently been lifted. Under those controls, steel prices were permitted to rise by 4¾%; but our employment costs and the cost of our purchased goods and services were permitted to rise nearly three times as much.

And there are the facts. If we can judge from the experience of U. S. Steel, then we must concede, I think, that after 12 years of the most intensive and productive work this world has ever seen, the steel industry is suffering today from a clear case of financial malnutrition. In its present condition, its individual units are no longer strong enough, nor healthy enough, nor profitable enough to meet all the extreme demands that may fall upon them in the future.

We may console ourselves with the thought that this is no fault of ours. We may comfort ourselves by blaming our plight on the economic folly of a politically-planned economy. But true as all that may be, we can never escape one fact: that the task of correcting this dangerous condition now rests upon us alone. The responsibility is ours, exclusively. We must make—and must keep—our companies healthy. No one else can do it for us; and no one else will shoulder the blame if we fail.

A Safe Situation for Steel Industry

How healthy must we be? How strong? How profitable?

I wouldn't profess to know, exactly; for these are questions worthy of an economic Einstein; and they can never be answered, of course, by a single magic formula for the industry as a whole. They are problems that must be solved by each individual producer on the basis of his own experience, in accordance with the needs of his own business, and in the light of the ever-changing competitive conditions that prevail in a free market.

Speaking for myself alone, however, I would say that a healthy steel company, efficiently managed, should be geared to an average, peace-time operating rate of about 80% of capacity. By that I mean that with one-fifth of its productive facilities standing idle and ready for instant use in the event of a national emergency, the company should be able to earn a profit sufficient to support its normal, peace-time growth without enabling it to wax fat or allowing it to waste away.

Then in future moments of national stress, when the company might be operating at 100% of capacity, as our industry now is, the additional profit it could expect to earn on its increased volume of production would thus provide a reserve for use in one of two ways: to finance the immediate expansion of its facilities should public necessity so require; or to sustain it through the lean years that may lie ahead if the nations of this world are ever wise enough and sane enough to lift the crushing burden of armament from the suffering back of humanity.

Such a company, I think, would be ready and able to meet any probable contingency that may arise in the foreseeable future; although that, as I say, is just one man's opinion, and I wouldn't wish to be too positive about it. But of one thing, I am quite positive indeed:

I believe that the American people must have, at all times, a plentiful supply of steel. I believe therefore that they expect us to maintain, at all times, a sound and a prosperous steel industry. And in keeping that industry prosperous, I believe that they expect us to act, at all times, with due and full regard for the public interest—with restraint on the one hand and with courage on the other.

They will not tolerate reckless greed; nor will they applaud what is equally dangerous — reckless timidity.

They are willing to pay for what they get; but they will always insist upon getting what they pay for. And, it is up to us to deliver the goods!

Federal Home Loan Banks Redeem Notes

The Federal Home Loan Banks on April 15 announced through Everett Smith, fiscal agent, that $76,500,000 of Federal Home Loan Banks 2.30% series C-1953 consolidated notes due April 15, 1953 will be redeemed from current cash funds of the Banks. Upon redemption of the issue outstanding note obligations of the Banks will be reduced to $230,000,000.

Ability of the banks to retire notes maturing today without recourse to refinancing, reflects, Mr. Smith said, a strong inflow of cash into the banks since the beginning of the year. To date in 1953, he said, member institutions have reduced their loans with the Banks by more than $250,000,000.

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Ekco Products Debs. & Com. Shares Offered

Public offering of $5,000,000 4% subordinated debentures due 1973 and 50,000 shares of common stock of Ekco Products Co. was made yesterday (April 15) by two group of underwriters headed by Union Securities Corp.

The debentures, due April 1, 1973, represent new financing and are priced at 100%, plus accrued interest. The common shares, which are currently outstanding and have been acquired by the underwriters from certain shareholders, are priced at $21.37½ per share.

Net proceeds from the sale of the debentures will be added to the company's general corporate funds and used to maintain larger bank balances, to carry inventories and receivables, and for such other purposes as may be determined by the management. The company will receive none of the proceeds from the sale of the common stock.

The debentures are convertible at any time on or before April 1, 1963, at the principal amount thereof into common stock at conversion prices ranging from $24.50 to $29.50. The issue will have the benefit of an annual sinking fund of $100,000 during the years 1954 to 1963, inclusive, and thereafter of $200,000, or 6% of the debentures outstanding on April 1, 1963. For the sinking fund, the debentures are callable at par, and at the option of the company, the initial redemption prices will be 103%.

Ekco Products Co. and its subsidiaries are primarily engaged in the manufacture and sale of baking pans for commercial and institutional bakeries, and a wide variety of non-electrical housewares items. The housewares items include cutlery, kitchen tools, flatware, household baking pans and stainless steel cooking utensils. The company also is engaged in government ordnance work, consisting primarily of cartridge cases.

Net sales of Ekco Products Company in 1952 aggregated $45,273,000 and net income amounted to $3,018,000, equal to $3.41 a common share.

New Merrill Lynch Office

BATON ROUGE, La. — Merrill Lynch, Pierce, Fenner & Beane have opened a branch office at 221 Convention Street under the management of Joseph M. Fornaris, Jr.

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Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Now that the longer-term 3¼% Treasury obligation has become a reality, market values of the outstanding Treasury securities are finally being adjusted to the new issue. The favorable reception that has been given to the 30-year 3¼% bonds is about in line with expectations and the items of greatest current interest are: what will the size of the allotments be and how well will the premium hold up when payments have to be made by the "free riders."

According to indications, ultimate investors such as savings banks, pension funds, some life insurance companies, fire and casualty concerns and commercial banks in a much smaller way, have entered enough subscriptions to make the 3¼% issue a very real success. Series F and G owners of the maturing savings bonds have, according to reports, likewise gone for the 30-year 3¼% issue in a very favorable fashion. The additional amounts of Treasury bills should be taken in stride, without any great effect upon yields.

New Financing Policy

The new 3¼% Government obligations, due June 15, 1983, and callable on or after June 15, 1978, constitute the real big break with the fiscal policies that have prevailed in the past 20 years. To be sure, the sale of higher coupon Treasury obligations had been carried out earlier this year by the Administration but these were not issues of long duration. Now, however, it seems as though the monetary authorities may have taken a long step towards bringing about a complete change in monetary policy. It is believed that a long-term 3¼% bond, such as the one which is now being offered in order to raise new money and to refund the F and G savings bonds, indicates that a new kind of debt management is to be expected.

New money in the amount of $1 billion will be raised through the sale of the 3¼s due 6/15/83 and, although commercial banks are being allowed to make limited commitments in the new bond, the bulk of the new money issue will go to ultimate investors even though there will be a certain amount of "free riding" or marginal buying. This means that the efforts of the Treasury and the monetary authorities are still being directed against the "debt-created boom," which has been having such a marked effect upon economic activity. A higher rate of interest on long-term Government bonds could lead to a restrictive monetary policy because it might bring about higher rates for all kinds of borrowings. This could result in an ending of the "boom" which has been helped so much by the debt creating activities of those that have been buying consumers as well as non-consumers goods and homes. Higher rates of interest, with a program of keeping credit so tight that it might become restrictive and which may be put in full force soon, will eventually end any "boom." Accordingly, current monetary developments should be watched very closely to see if the restraining policy is now being superseded by one that will become restrictive.

Market Students Disagree

Although there are definite and tangible signs that the new money 3¼% issue heralds the end of an era in debt management to many money market followers, there are others, however, that do not go along with this line of reasoning. The latter point out that the 30-year 3¼% bond is still part of an interim program which is a flexible one and does not indicate any important change in monetary policy that is to be continued as a permanent break with past patterns. They say the present offer of bonds and Treasury bills in order to raise new money that will be used to finance the deficit during the current fiscal year is neither here nor there, but just a first class straddle which leaves the determination of a definite monetary program something for the future to decide. It is pointed out that the developments in Korea and the future level of business activity will be the forces that will determine the course of debt management and credit policy, and not "open mouth" operations and the making good on so called promises that "higher interest" rates would become a reality with the new Administration.

It is believed by some that the real test of the program concerning the ways and methods that will be used in debt management and credit policies will not be unfolding until the Sept. 15 operation. By that time a number if not most of the uncertainties that are facing the money markets may be resolved so that there will be an opportunity to see how more normal conditions will be handled by the monetary authorities.

First Boston Group Underwrite Texas El. Service Offerings

Two groups of underwriters headed by The First Boston Corp. offered publicly yesterday (April 15) $7,000,000 3⅝% first mortgage bonds, due 1983, and 100,000 shares of $4.64 cumulative preferred stock (no par value) of the Texas Electric Service Co. The syndicate was awarded the offerings at sealed bidding on Monday. The bonds are priced at 102 to yield approximately 3.52% and the stock is priced at $102.25 per share to yield approximately 4.54%.

Proceeds from the sale, together with $6,000,000 cash contributed by the parent company, Texas Utilities Co., which is to be added to the stated value of Texas Electric Service's common stock without change in the number of shares outstanding, will be applied to the company's construction program. Planned expenditure for 1953 amounts to $28,478,000, and for 1954 to $26,500,000, and the company estimates that $12,000,000 additional financing of an undetermined nature will be required for completion of the 1954 program. Principal items in the program, which will continue for some years, are installation of three large new generating units and accompanying transmission lines.

All the outstanding voting stock is owned by the Texas Utilities Co.

The company's operating revenue for 1952 was $37,455,970, and its net income was $8,256,636.

The Texas Electric Service Co. generates and sells electricity in a large area of Texas, including Fort Worth. The company is inter-connected with the Dallas Power & Light Co. and the Texas Power & Light Co., both subsidiaries of Texas Utilities, and the three are operated as an integrated system.

Continued from first page

The Transition to Free Markets

life, but that strait-jacketing of the economy is wholly inconsistent with democratic institutions and a private enterprise system. It produced the paradox that we seemed to be practicing the very thing we were fighting against. The Federal Reserve System was caught in this paradox under the wartime decisions. It undertook to stabilize the price of Government securities in relation to a fixed pattern of yields, and in so doing found itself feeding the forces that make for inflation. It continued to stabilize these prices, with minor modifications, after the war, in fact up to March, 1951. These are facts. I am not passing judgment on what was done.

Last month marked the second anniversary of the so-called Treasury-Federal Reserve accord. It may be worth while to recall the wording of the joint statement:

"The Treasury and the Federal Reserve System," said the announcement, "have reached full accord with respect to debt management and monetary policies to be pursued in furthering their common purpose to assure the successful financing of the Government's requirements and, at the same time, to minimize monetization of the public debt."

A Landmark in Monetary History

In monetary history the accord was a landmark. In withdrawing from supporting fixed prices in the Government bond market, the Federal Reserve System regained its influence over the volume of money. It ceased to be the residual buyer who, by its purchases of Government securities, however reluctantly made, furnished bank reserves indiscriminately and thus abetted inflationary overexpansion of the money supply.

During its 40 years of existence, the Federal Reserve System has frequently tried to formulate or define its purposes in the light of the responsibility for monetary management which Congress placed upon it. The System is, and always must be, subject to the will of the Congress. Through their elected representatives it is thus ultimately answerable to the American people.

The Federal Reserve Act contains guidance for policy and action rather than directives or a mandate. While the Reserve System does not have an explicit mandate in the law, it is governed in its decisions by a definite purpose which can be simply stated. Its purpose is to see that, so far as its policies are a controlling factor, the supply of money is neither so large as to induce destructive inflationary forces nor so small as to stifle our great and growing economy.

Untrammeled Federal Reserve Performing Its Task

It is fair to say, I think, that the System has performed that task fairly satisfactorily during the past two years. During that period the economy has functioned at record levels and despite the diversion of economic resources to the defense program, it has functioned without further inflation. However precarious the balance, it has been a period of steady economic progress. It would be a mistake to claim too much for monetary policy in this achievement. But it would be equally misleading to conclude that this steady progress would have been achieved without the aid of the monetary policies and actions that were initiated two years ago.

What has occurred in the past two years in the area of money management has been a return from wartime necessities to the principles of the free market. The significance of this transition is not to be found in interest rates, but in its far greater implications, wholly apart from its economic effects. In a free market, rates can go down as well as up and thus perform their proper function in the price mechanism. Dictated money rates breed dictated prices all across the board. This is characteristic of dictatorships. It is regimentation. It is not compatible with our institutions.

Not only in this country but in the entire Western World, we are seeing a return to the principles upon which our strength rests. Under our Governmental institutions and our economic system, the maximum benefits for all of us flow from utilizing private property, free, competitive enterprise, and the profit motive in accordance with the dictates of the market place — something that was almost forgotten for a period of years.

Free Market Place—An Essential Of American Economy

The market place — the price mechanism — are basic essentials of the American economy and of the economy of the Western World. We have seen the countries of Europe that struggled along with Marshall Plan aid return to the earning process, one by one. We have seen monetary policy put to work in Belgium and Italy. We have seen it spread from Italy up to the Netherlands, on to Denmark, and on to Britain. For the last year Britain has been taking measures running somewhat parallel to ours.

The process of returning to acceptance and use of the market place is slow, painful, and hard. It is not achieved because people necessarily like it; it is achieved because alternative ways don't work—and that has been found out in most of Western Europe since the war.

When we started this program of freeing the market some people were talking as if that would lead to panic and disaster. Some said that once Government bonds went below par the credit of the United States would be destroyed. Some people saw panic and collapse on the horizon merely because there had been a movement of a few thirty-seconds in the Government securities market. The word "stability" had come to mean "stagnation" and "frozen prices."

During the past year, under the authority of the Federal Open Market Committee, an ad hoc subcommittee has been reviewing our operations in the Government securities market with a view to determining what might be done to develop and improve those operations under the changed conditions.

The Effect of Unpegging Government Securities

After 10 years of a pegged market, we found that once the market was freed a little bit, many of the devices and techniques we had been using tended to work in reverse. We found that the dealers, the brokers, the individuals—that composite that makes up the market — instead of making market judgments for themselves were chiefly interested in trying to find out what the Federal Reserve planned to do and how it was going to operate.

Federal Reserve support of the Government securities market over many years, because it affected the operation of the entire financial market, had developed patterns of behavior and thinking that were not easily or quickly changed. Only gradually were old practices discarded and the char-

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acteristics of a free market developed.

That is not to say that the performance of the Government securities market after the unpegging was not highly gratifying in several important respects. Considering the pressure on the economy and on the supply of savings, the range of price fluctuation on Government issues was moderate. The facilities of the market proved to be generally good.

But the market did not have the depth, breadth, and resiliency needed for the execution of effective and responsive market operations and for flexible debt management purposes. This means a securities market in which market forces of supply and demand and of savings and investment are permitted to express themselves in market prices and yields. The unsatisfactory aspects of the market seemed to be related in large part to the psychology that pervaded the market. Professional operators in the market appeared confused with respect to the elements they should consider in evaluating future market trends.

For one thing, they seemed apprehensive as to the Federal Reserve attitude on prices in the market. The market appeared constantly to expect action by the System which, by standards of a free market, would be unpredictable and might seem capricious. Investors and dealers seemed to lack adequate background for weighing and evaluating System actions in forming their individual market judgments and investment decisions. After the unpegging there quite naturally remained much skepticism as to the System's intentions or ability to permit a free private market to develop.

In important respects there was tangible justification for these doubts. For one thing, the System continued to support the market for short-term securities during periods of Treasury refunding. For another thing, it was also understood that the System had a policy of maintaining an orderly market in all sectors of the Government securities market, a phrase that was variously interpreted in the market and which the market therefore found hard to understand.

Against that background, it was our purpose to develop methods of operation which, as they became known through practice, would give those who participate in the market, and those who have contacts in the market, a familiarity with how the Federal Reserve may intervene, when it may intervene, for what purpose it may intervene.

Open Market Transactions Now Limited to Effectuation of Credit Policy

Since the unpegging, we have endeavored to confine open market transactions to the effectuation of credit policy, that is, to maintain a volume of member bank reserves consistent with the needs of a growing and stable economy. We have tried to confine our operations to short-term securities, in practice largely Treasury bills. Prices of these issues, which are the closest substitutes for cash, are least affected by Reserve System sales or purchases. Gradually investors in Government securities have, I believe, come to expect and understand this phase of System activity in the market.

We have had a particularly acute problem during periods of Treasury refundings. It had become the practice under pegged and supported markets for the System to intervene to support Treasury refundings. This seemed a reasonable use of Federal Reserve resources, provided it was limited and excessive purchases were later disposed of in the market. This practice was followed for 18 months after the accord.

We found, however, that when the Federal Reserve, with its huge portfolio and its virtually unlimited resources, intervened in the market during Treasury refundings, many other investors tended to step to the sidelines and to let the market form around the System's bids. This was a natural and highly rational investor reaction. But the result was that with the System supporting a refunding, offerings failed to get fair market valuation until some time after the refunding period. Under the circumstances, it was very difficult for the market to make a satisfactory judgment of the worth of a new offering or of the relationship it should bear to other Government obligations already outstanding. This was particularly true since it was usually obvious to investors that the System might act to absorb reserves by sales during or after the refunding operation in order to offset its support purchases.

During the past two transition years, the Treasury and the Federal Reserve have been experimenting with various ways of minimizing or eliminating this intervention. In connection with a small refunding, the Federal Reserve decided last December to refrain entirely from purchasing maturing securities, or "rights" as they are called. Again in February, when the Treasury refinanced a large maturity with an attractive offer, no support was given by the System. Both refundings were highly successful and demonstrated the value of reliance on freely functioning markets rather than on official intervention.

Advantages of Transition

The transition has major advantages to the System, to the Treasury, and to investors in general. The System no longer needs to inject periodically into credit markets large amounts of reserve funds which are difficult to withdraw before they have resulted in undesirable credit developments. On the other hand, private investors, whose funds the Government seeks to attract, may now fairly appraise a new Government security offering through market processes. They may invest in the new issue with confidence that its market price reflects not just an arbitrary decision by the Treasury and the Federal Open Market Committee but instead the composite evaluation of its worth by thousands of investors in the light of their judgments as to the current and prospective demand and supply of credit.

We also had to deal with the concept of "maintaining an orderly market." I tried before committees of the Congress to define "orderly market." I was not very successful, but I do think that gradually our emphasis has been shifting toward a realization that we should not be the judges of what an orderly market is; that our efforts should be directed more toward correcting disorderly conditions — you can see the difference in emphasis—and that even there, we ought to be extremely careful about intervening unduly.

In a properly functioning market, and particularly in a well organized money and credit market, fluctuations resulting from temporary or technical developments are self-correcting without any official intervention. Of the movements that are not self-correcting, most reflect basic changes in the credit outlook which should be permitted to occur. Only very rarely is there likely to be a disorderly situation that would require Federal Reserve intervention for reasons other than credit policy.

Federal Reserve to Play a Minimum Role in Government Bond Market

As investors continue to operate in a free market for Government securities I am confident that they will develop a fuller understanding of the minimum role to be played by the System in such a market. They will then feel freer to express their own judgments about market values and will thus develop a market with greater depth, breadth, and resiliency. Certainly much progress has already been made.

With the changes in its own policies and practices and with the development over the past two years of this self-reliant market for Government securities, the Federal Reserve has been able to bring into full use its instruments for influencing the general credit situation in order to promote economic and financial stability. Open market operations and the discount rate are again being used for this purpose as twin reserve banking measures, each complementing the other in affecting the availability, volume, and cost of credit.

Primary reliance is once more placed upon the discount mechanism as a means for supplying the variable short-term needs of individual banks for reserves. Experience has demonstrated that when member banks are heavily in debt to the Federal Reserve Banks, the tone of the money market is tight. Marginal loans are more likely to be deferred and some credit risks may have to shop around for accommodation. Conversely, when member bank borrowing is low, the tone of the money market tends to be easy and credit accommodation is less discriminating. The Federal Reserve borrowing privilege and the discount rate, after years of disuse, have come to play once more their intended role as flexible, impersonal instruments of monetary management.

Open market operations can be employed when needed to condition the current tone in credit markets and the general availability of credit. By these operations the Federal Reserve can tighten or ease the pressure on member bank reserve positions and thus cause banks to borrow or enable them to reduce borrowings at the Reserve Banks. Subsequently, this tightness or ease is transmitted and magnified in money and credit markets.

Conclusion

I have sought to outline for you the progress that the Federal Reserve System, within the framework of its purposes and functions, has made in these past two years of transition. With credit and monetary measures in effective operation, and with a Federal fiscal situation that does not depend excessively on credit to finance expenditures, reasonable stability in the value of the dollar is again a valid assumption in making economic decisions.

This is in sharp contrast to the era of pegged markets from which we have emerged. There are still some who would have us return to a pegged market. If we did, we would have no reliable safeguard against the erosion of our savings, our pensions, our life insurance policies—the capital upon which the institutions of private enterprise rest. There are no reliable substitutes for free markets which have been reinstated during the past two years. A redundant money supply can be dammed up by direct controls for a time, but as we saw in the early postwar years, once the controls are lifted, as the public insists that they be in peacetime, the economy is engulfed with the flood of money that has already been created and only temporarily held back.

If we handle our fiscal, monetary, and debt management problems wisely we will not have to worry very much about the value of the dollar.

Securities Salesman's Corner

By JOHN DUTTON

Basic Rules for Successful Selling

The value of little things can be demonstrated almost every day by events in our lives that have a lesson to teach us that can be applied to salesmanship if we will only heed them. Such a lot of time is wasted by all of us doing things the hard way—not only in our effort to earn a living but in living itself. A small amount of time spent on thinking and planning will often save hours of extra work and much needless effort. Just by remembering mistakes we have made and resolving to not make them again, efficiency can be increased and each day made more productive and pleasant. Selling securities like anything else requires a certain amount of specialized training and knowledge, yet the basic principles that are used in building any other type of personal following, such as law, medicine, accountancy, etc., consist primarily of the knowledge and application of just a few broad fundamental rules.

One of the broad rules that will always result in favorable responses from those we wish to cultivate is that we must first think well of ourselves. By thinking well of ourselves we do things in a manner that reflects favorably upon our business and upon the person with whom we are seeking a satisfactory relationship. I am thinking particularly of such little things as the way we wear our clothes, the way we keep our office neat and inviting, the sort of letters and mailing material we send to customers and prospects, our calling cards and our advertising. To spend an extra amount of money on the very best stationery, office equipment, and all the things that we place before the public at the point of contact is a sound investment. I have personal knowledge of a case where the use of the very finest engraved stationery and the best bond paper have increased the actual sales of a firm that decided to make the additional investment. A good personal letter no matter how well written on fair quality paper will not have the effect that the same letter will produce if it is written on the very best stationery. A good rule to follow is, either send out the best possible mailing material or better send none. It is surprising, however, that many firms will try to cut stationery costs and reduce the quality of their mailing material by so doing. It is false economy.

Doing Things Well Can Become A Good Habit

It seems to me that success in any line of work follows very much the same plan. The man who will follow sound rules of personal living will usually apply the same methods to his business. I know some men who have their lives so well arranged that their time is allocated each day in such a manner that they work with less strain and tension than many others who accomplish far less. Taking pains to have a place for everything helps to organize your mind and achieve better results. I know of some men who have learned how to read and remember. Until they made an effort to read properly they spent much wasted time in trying to absorb many facts of no particular value. Learning to hit the important points and omit the others saved time and effort. I know some men who even have a set time for each week's haircuts—a time for making appointments—a time for play and time for their families and civic affairs. They are good sleepers and good eaters. They are well organized because they have learned the value of doing little things well.

Bankers Sell Clevite Com. at $25\frac{3}{8}$ a Sh.

F. Eberstadt & Co. Inc. and Prescott, Shepard & Co., Inc. headed a nationwide group of 139 underwriters which on April 14 offered 200,000 shares of Clevite Corp. common stock at $25.37½ per share. Proceeds from the sale of the shares offered will be added to the corporation's general funds and will be available for general corporate purposes.

Clevite Corp. (formerly named The Cleveland Graphite Bronze Co.) and its wholly owned subsidiaries are manufacturers of bearings, bushings and related products, and of electronic components and devices.

Clevite is a leading manufacturer of sleeve-type bearings and bushings for use principally in the automotive industry. Its products are also used extensively in the aircraft, farm equipment, diesel engine and locomotive industries. Harris Products Co. manufactures principally rubber-and-metal bearings for use primarily in the automotive field. Clevite Ltd. manufactures and sells in Canada products of the same types as those manufactured by the corporation and Harris Products Co. Clevite Service, Inc. sells in the replacement parts market automotive parts manufactured by the corporation and Harris Products Co. and by other manufacturers.

Brush Electronics Co. (formerly named The Brush Development Co.) is the world's largest producer of artificially-grown piezo-electric crystals, which are used extensively in acoustical products. It also manufactures electronic analyzing and recording instruments for industrial and research use and sound recording equipment and component parts.

Net sales of the corporation and subsidiaries for the year 1952 were $53,307,874 and net income after taxes was $3,444,240.

The corporation has paid a cash dividend on its common stock in each quarter since September, 1922. After adjustment to reflect the recent 2-for-1 common stock split adopted by the shareholders on April 6, 1953, common stock dividends paid in 1951 and 1952 amounted to $1.15 per share each year and for the three months ended March 31, 1953 were 25 cents per share. On April 6, the board of directors declared a dividend on the split stock of 25 cents per share payable June 10, 1953 to shareholders of record May 25, 1953, including the holders of record on that date of the shares offered today.

To Retire From Firm

John H. Libarie, member of the New York Stock Exchange, will withdraw from partnership in Mitchel, Whitmer, Watts & Co. April 30.

W. C. Gilbert Co. Formed

HOUSTON, Tex. — Walter C. Gilbert is engaging in a securities business from offices in the Esperson Building under the firm name of W. C. Gilbert & Co.

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Continued from page 7

What's Ahead for Business?

with assurance we can throw some light upon it.

The Business Cycle Approach to Prediction

Though the business cycle approach to prediction has gone out of fashion I am inclined to think that it still has enough validity to deserve brief attention even in a time as unusual as this. For our purpose we may distinguish four types of cyclical fluctuations. First is the 15-to-20-year cycle in residential construction. Second is a 6-to-10-year cycle in industrial production associated with business investment in plant and equipment, particularly in heavy industry. This is sometimes called the major business cycle. Third is the 3-to-4-year cycle in industrial production sometimes called the minor business cycle. Fourth is a rather marked tendency for the production of textiles, and some other soft goods, to proceed in waves of about two years duration from peak to peak.

Let us take first the long building cycle, even though there is some uncertainty about the usefulness of the concept. The wave of expansion in residential construction that started slowly after 1933 was interrupted by World War II and reached a much delayed and very high peak in 1950. It receded substantially in 1951 and, in dollar terms, held just slightly above the '51 level in '52. In spite of the excellent prospects for residential construction for '53, the current advanced stage of the cycle suggests that this factor will by 1954 count as an adverse factor in the business outlook. Other considerations reinforce this view. The postwar housing boom has now run for six years. The marriage rate has declined sharply and seems certain to continue depressed for several years because of the low birth rate of the early 30's. Houses old and new sell less quickly of late. Construction may be handicapped somewhat by the fact that over the years its costs has risen considerably more than has the general price level. Whether or not the number of residential units started in '53 equals or surpasses the number of starts in '52, one would, on the cycle hypothesis, expect a resumption of the decline in '54.

We turn next to the 6-to-10-year, or major, cycle in industrial production. The rise in this cycle began with 1947, carried through 1950 and flattened in 1951 at a level made exceptionally high by the Korean War and rearmament. Now, at a time when a decline in the major cycle is overdue, industrial production has risen to still higher ground, its life extended and its dimensions increased by the defense effort. Cycle patterns suggest that it would require some new external stimulus to lift the Federal Reserve index above its current level or prevent a decline in it from beginning before many more months have passed.

The 3-to-4-year cycle, hit a deep trough early in '46, a moderate one in '49, and a still milder one in the summer of '52. Normally a rise in this 3-to-4-year cycle beginning in mid-'52, would carry through '53 and possibly into the early part of '54. This could moderate but probably not wholly offset a decline in the major cycle, should the latter start while the minor, shorter cycle still points upward.

The 2-year cycle in the soft goods field reached a peak in early '51. At that time inventory reduction began in the department stores and spread into various lines of consumer goods manufacturing. For about a year this decline was intensified by the cautious buying and the high rate of saving by consumers. Recovery began in the autumn of '52. The cycle pattern would suggest a high rate of output of textiles and some other soft goods until late in '53.

These different kinds of cyclical swings are usually measured by differences between shorter period and longer period moving averages covering appropriate intervals. The current 3-year average of industrial production is almost certainly above the long-term trend, and the high activity of the last few months is carrying the 12-month average considerably above the 3-year average. Since, after allowance for long-term growth, indexes of production, trade and real income cannot always be above average, current statistical relationships suggest that a decline lies not far head, and that the longer the current boom continues the sharper or the more prolonged the succeeding decline is likely to be.

Please do not misunderstand. The foregoing does not tell us in which quarter of '53 or '54 a decline will begin. It does not tell us how severe, once begun, the slump will be. It does not even establish that there will be a slump in '53 or in '54. For example, the current hope, that the contest between the Kremlin-Peiping axis and the West is about to become less military, might soon be dashed. Unhappily, for all we yet know an early stepping up or widening of the War may give the business boom its third wind as Korea gave it its second. But, apart from some such unhappy development external to business, cycle patterns point to the approach of a decline in industrial production greater and more prolonged than that of '49 or mid-'52.

Estimated Demand for Goods and Services in 1953

Although, apart from times of major war, the cycle approach to prediction merits some attention, greater weight should be given to analysis of the factors significant in the current situation. This can best be done in terms of estimates of the amounts likely to be spent for goods and services in the various sectors of the national economy. Their total, called the gross national product, is estimated for 1952 to have been $346 billion. This was comprised as follows:

	Billions
Consumer purchases of goods and services	$216
Capital outlays	52
Govt. spending for goods and services	78

Each of the foregoing classes of expenditure ran at a higher rate in the fourth quarter of '52 than for the year as a whole. Figures for the first quarter of 1953 are not yet available. As the second quarter opens consumer spending is probably running 3% above last year's average and government spending 4% above. Capital outlays for housing, plant and equipment are up, but inventory accumulation may be down enough to offset this.

What are the prospects for the rest of '53? First consider government spending. Late developments are not likely to affect much defense spending over the next three months. Any cuts ordered for the fiscal year beginning July 1, 1953, would not affect deliveries of arms before this autumn, and it is change not of orders but of rate of deliveries that will affect the government expenditure sector of the gross national product. Spending for national security was to have risen somewhat. Therefore, it will take a cutback in present plans to hold that item where it is. If one takes a hopeful view of East-West relations, one may expect a moderate cut below current levels of defense spending. Part of this will be offset by an almost certain rise of from one to two billion in the spending of state and local governments. On the other hand modest economies may be achieved in the non-defense portion of the Federal budget. On balance the likelihood seems considerably increased that government spending will soon cease to be an expansive force in the economy.

What about capital outlays? It is at least premature to conclude that the plans recently reported by business for record-breaking spending for plant and equipment in '53 will be curtailed. But the chance that the rate will decline somewhat toward the end of the year has probably been increased by international developments. It is important to note, also, that business added $3.5 billion to inventories in 1952. It is doubtful that business as a whole will voluntarily add at all to its holdings of goods in 1953. Residential construction will not be up by enough to offset this change in inventory policy. Therefore, in capital outlays, too, we no longer have an expansive force. More likely is a small decline from present levels.

This leaves consumer purchases, which comprise over 60% of the final market for goods and services. Consumer income after taxes is running ahead of last year and appears likely to continue to do so for some months at least. Should unemployment begin to shrink it significantly, Congress would almost certainly vote prompt tax relief. Consumer spending as a whole seems likely, therefore, to hold up well in '53.

Some of you may possibly wonder why I have ignored foreign demand for American goods in discussing gross national product. Both in '52 and '51 net investment abroad was estimated at only $200 million. This item has been small in every year since 1947. The chief immediate reason for this is that in every year since then a large part of American exports has been paid for by the United States government under provisions such as the current Mutual Security Aid. The cost of this aid appears as part of the goods and services purchased by our Federal government. For our present purpose of predicting gross national product, therefore, the item of net foreign investment may be neglected.

Does Business Face Contraction?

Both cycle patterns and analysis of the current business situation suggest that the boom is at its peak. Total demand for goods and services is probably running slightly above a $360 billion annual rate, 6% above a year ago. The Federal Reserve index of industrial production is up 9% in the same interval. The great increase in aggregate demand has been met without a rise in the wholesale prices of industrial products and with an increase of less than 2% in the cost of living. Since industrial capacity continues to expand, and since aggregate demand has probably reached either a peak or a plateau, the general price level seems likely to be stable or to drift slightly downward in coming months.

Let us assume that a contraction of business activity does start sometime this year or early in 1954. How serious is it likely to become? The Communists probably believe it will be severe, and expect it to be disastrous for our leadership of the free world. How good are our chances of confounding them? While only the future can answer this fateful question, it is worth our while to consider this morning some of the economic factors that bear upon the problem.

First let us face some of the more unfavorable aspects of our economic situation. One is that business has been adding to inventories at a rate which it cannot keep up. Even the present total of $75 billion could generate considerable trouble in a period of weak markets. Another factor is that the productive capacity of manufacturers is being increased at a rate higher than can profitably be continued indefinitely. The same is true of residential construction and probably of output of cars and other durable consumers' goods. Also, in the process of buying the high output of recent years, consumers have gone into debt at a rate too rapid to sustain indefinitely. The buying power of farmers seems likely to suffer some further decline. Strongly organized unions have of late years pushed wages up almost twice as fast as productivity has risen. Bargaining hard on a national scale, unions have forced upon the least properous firms and regions the standards of pay and of nonwage payments won from the most prosperous firms. The tendency of these policies to generate unemployment has thus far been obscured by the inflation and the boom.

Directly and indirectly our Federal government continues to finance American exports in ways that postpone the problem of permitting imports to balance the international account. During years of full employment and record per capita income the government has borrowed billions of dollars to support the prices of farm products. It has run large deficits in times of high prosperity. It kept interest rates low through years of rapidly rising prices. In short, the Truman administration fought depression so hard during inflation that it wasted considerable economic ammunition which its successor is likely to need to fight a slump.

Factors That Should Limit Any Decline

Although we have for several years been expanding our stock of plant and equipment, we do not in general have an oversupply. During much of the depression of the 30's and the war of the 40's the rate of replacement of plant and equipment was below the rate of depreciation. Estimates made for years widely separated in time cannot be made precisely comparable, but they probably come close enough for our present purpose. Expressed in dollars of consant purchasing power plant and equipment were no more per capita at the end of 1952 than at the end of 1928. Of course, we have meantime learned how to achieve more output per worker and per dollar invested. With about one-third more men at work than in 1929 and 30% more productive facilities, output has approximately doubled.

It is also reassuring to discover that the proportion of gross national product going into replacement and expansion of industrial plant and equipment was not quite as high last year as the average for the boom years of the 1920's or for the most prosperous years before World War I. Should a decline start soon, the economy would have in its favor the fact that this boom has so far been one of catching up rather than of overextension.

Consistent with this interpretation are the results of two recent surveys of business intentions to invest. The earlier of these was made in October, 1952, jointly by the Office of Business Economics of the Department of Commerce and the Securities and Exchange Commission. It covered the years 1953 to 1955, inclusive. The results are summarized and interpreted in Charper 4 of the excellent Department of Commerce study entitled, "Markets After the Defense Expansion." Striking confirmation of its findings appears in the more recent survey by the Economics Department of McGraw-Hill Company just published in the April 4, 1953 issue of "Business Week." This study projects through 1956 the present plans of manufacturing corporations for capital outlays. Both studies show surprisingly moderate declines from 1952-53 levels. Both make clear that a rising share of spending will be for replacement rather than expansion. Both indicate that a considerable amount of the contemplated expenditure is an outgrowth of research into new products and new methods.

Concerning prospective demand for new housing, I hesitate to speak. But so important a factor must not be omitted from our analysis. We must grant that, because of the low birthrate of the early 30's, the annual rate of family formation in the mid-'50s may fall to 600,000 or less. Whether construction will decline to this level will depend upon such factors as the continued movement to the suburbs, and the ability of those in the industry to foster growth in the presently small replacement market. The increasing size of families may generate greater demand for somewhat larger houses and for additions to small houses already built. In any event there is not currently in most parts of the United States the high vacancy ratio which has appeared in the closing stage of earlier booms in residential construction and removal of rent controls should strengthen demand for housing.

Against a decline in investment spending in private sectors of the economy we may set an almost certain rise in the spending of state and local governments. Although this has been growing for several years, it has not yet become quite as high a share of the national product as it was in the late 1920's. Public works fell behind during World War II. Also, the need for public construction is growing rapidly because of such factors as the great increase in the number of children, regional shifts in population, movement to suburbs and the rapid rise in the number of cars and trucks on streets and highways. Should we have the good fortune to be able to spend less than we had expected on armament, it is encouraging to reflect that this will enable us to spend more on schools, hospitals and roads.

Since, even in this time of investment and armament boom, consumers supply over 60% of aggregate final demand, it is clear that we must rely largely upon their spending to avoid a serious slump. Consumers have during the last two years been saving about 8% of after-tax income. Better quality goods and new products might induce them to return closer to the more customary pattern of spending 95 cents of each after-tax dollar instead of 92 cents. This alone, at current levels of disposable consumer income, would mean an increase of over $7 billion in demand for goods and services. Should unemployment and a shorter work week reduce before-tax income, Congress would certainly move to counteract this with a cut in tax rates.

If the Federal government has time to get its cash budget in balance while the boom is still running strong, it can then safely cut taxes as much as any improvement in the international situation will permit its spending to shrink. A rise in state and local expenditure will offset part of the shrinkage in business investment. Business should be

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able, through improved and new products, to induce consumers to spend a higher share of their income on current output. Such a combination of factors would provide strong resistance to a business decline.

Finally, we must not forget that our economy has in recent years acquired new elements of strength to resist depressions. Of these I shall take time to mention two developments in my own field of finance. One is the increased strength of the commercial banking structure. The other is certain financial operations of the Federal government.

The laws under which our Federal Reserve System now operate and the Reserve banks' strong reserve position combine to assure that Reserve bank credit can be abundant whenever the Board chooses to make it so. Plentiful bank reserves may not prevent contraction of bank credit, but they do remove a necessity for contraction which in past slumps has often intensified depression. The Federal Deposit Insurance Corporation should maintain depositors' confidence in their desposits in commercial banks. Also, almost half of the banks' earning assets today are promises of the Federal Treasury. In a period of business contraction bank loans to business will shrink, but the decline in deposits which this would produce is likely to be largely offset by bank purchase of government securities, thus tending to stabilize the quantity of checking deposits.

Important also is the fact that Federal fiscal operations tend automatically to limit both depressions and booms. This is one fortunate by-product of our burdensome, steeply progressive income tax. As incomes rise in a business expansion, the income-tax collections go up relatively more than the incomes; as incomes fall in a business slump, the income-tax collections decline relatively more than incomes. After-tax income is, therefore, much stabler than is income before taxes. Social security should have a similar effect. In periods of shrinking employment the tax collections for social security fall while the benefits dispersed go up; in periods of expanding employment the tax collections rise and disbursements fall. The advantage of these factors is that they work automatically. We are not dependent upon correct forecasting to get them into operation at the right time. The depression-resisting powers of these automatic factors have not yet been seriously tested, but there is strong reason to believe they are substantial.

The rulers at Moscow and Peiping probably hope that they will be able to touch off a depression in America and in the entire capitalist world. It is up to each of us to contribute what he can as businessman, as consumer and as citizen to see that they do not get their wish.

R. S. Wendell Opens

Robert S. Wendell has opened offices at 111 Broadway, New York City, to conduct a securities business, specializing in oil and gas issues, and general securities. He was previously with Tellier & Co.

Arthur M. Davies

Arthur M. Davies of Cleveland passed away at the age of 84. Mr. Davies who had been associated with Goodbody & Co. since 1940 organized his own firm, A. M. Davies & Co. early this century. He joined Otis & Co. in 1910 and Samuel Ungerleider Co. in 1920.

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The Future of Interest Rates

portant consumer durable goods items, only radios, televisions and deep freezers showed an increase in factory sales in 1952 over 1951.

Demand for funds to finance state and local construction will be heavy this year. The present rate of construction, part of which is financed by taxes, is $5 to $6 billion a year. This is 250% higher than the 1946 rate, but to meet the estimated need for new roads, traffic facilities, schools, hospitals etc. would require around $12 billion annually until 1960. Although such a high level is not to be expected, these needs constitute the largest remaining backlog in America today, and some increase must be anticipated.

Real estate was the only sector of the capital market in which the demand for long-term funds was less in 1952 than in 1951. This trend should continue in 1953, so the demand for mortgage money should be less this year than it was last year. Although housing starts in January were 9.4% greater than last year, and February starts were just about the same, it does not seem reasonable to expect that the housing construction industry will start another 1,131,000 nonfarm dwelling units in 1953, in view of the continuing drop in household formation.

Demand for funds should also be reduced by the slow, but steady, downward trend in prices.

Some Basic Factors of Supply

On the supply side, the American people in 1952 earned more than they ever did before. They also, according to the Department of Commerce, set a peacetime record of over-all saving of $18 billion, which amounted to 8% of disposable income. Saving, thus, continued at a rate double that of the 1947-49 period. Personal saving should be even greater in volume in 1953, as disposable personal income will be greater.

More specifically, in addition to greater positive saving, the so-called *Negative Saving* of mortgage repayment, most of which, as you know, finds its way back into the capital market, should be greater, as the amortization mortgage total is greater.

Contractual saving, likewise, should be greater, as nearly $23 billion of new life insurance was bought in 1952. Pension funds, mutual investment funds and other forms of contractual saving, also, had substantial increases. In addition to the increased saving because of last year's growth of these agencies, there is every reason to expect further growth this year.

Corporate saving — funds ploughed back into the business—will not be as great as last year; but, corporations will need to borrow less, as they may have as much as $2 billion more funds available internally because of accelerated amortization and other increases in depreciation allowances.

Credit expansion by commercial banks this year will not be as much as it was in 1952. According to the Federal Reserve Board, bank credit expanded $9 billion last year, with 60% of the increase coming in the last quarter. The increasing ratio of risk assets to total assets, the declining ratio of capital to risk assets and increasing credit risk, as well as the necessity of borrowing to replenish reserves, are making the banks more cautious. The new restrictive credit policy of the monetary authorities, also, is a powerful restraint on further bank credit expansion.

The New Federal Reserve Policy

Since the beginning of the year, the credit policy of the Reserve authorities has changed from *neutrality* to *credit restraint*. The reasons for this new policy are obviously the sharp increases in debt, especially private debt. The situation in private debt may be summarized as follows:

(1) The boom of the past three years has been financed to the extent of 12% of total spending by expansion of *private* debt. (This is more than twice as much as the private debt expansion of around 5.5% in the 1929 boom.)

(2) Corporate financial structures are becoming dangerously top-heavy from too much reliance on debt for expansion and growth.

(3) Consumer credit, especially since the expiration of Regulation W, has increased at an unprecedented rate. It is not so much the present total, as the fear that consumer credit will be unwisely used to solve the problem of the mounting inventories of consumer durable goods, that is giving concern. Already, dangerous practices of no down-payments and extremely long repayment are mushrooming throughout the country.

(4) Mortgage indebtedness of individuals is extremely high by any historical standard, and promises to continue to increase at a high rate in the coming months.

(5) Inventory loans continue at high levels, although the overall price trend has been downward since March 1951.

Public debt of the Federal government, also, increased in 1952, whereas, in 1951, the Treasury actually managed a modest reduction. Moreover, with the Congressional demands for tax reduction and opposition to expense reduction, it is now beginning to look as if the Treasury may have to borrow even more in 1953 than it did in 1952.

As our monetary authorities well know, a too rapid increase in debt overstimulates the boom phase of the business cycle and, thus, further accentuates the downward swing of the cycle.

Contrast with Previous Credit Policy

After the March 1951 accord with the Treasury, the Federal Reserve authorities permitted the government securities market to seek its own level, except that to insure an "orderly market," they placed premium bids for maturing issues, and they countered any reduction in member bank reserves because of an outflow of gold or an increase in currency in circulation, by means of open market operations.

Under the new policy, however, the Federal Reserve did not make premium bids at either the December or the February certificate refundings. Nor have they offset the $675 million decline in the gold stock over the past three months. On the contrary, at times, they have endeavored to further reduce reserve balances through the sale of securities, in order to force member banks to borrow increasing amounts from the Reserve banks. They have succeeded so well in their aims that member bank indebtedness at the Federal Reserve banks has reached the highest level in 30 years.

The January increase in the discount rate was another evidence of their determination to tighten money rates. Furthermore, if the loans of the member banks don't show the usual seasonal decline in this quarter of the year, credit policies may be expected to become even more stringent and a further increase in the discount rate may take place.

The Mechanics of the New Credit Policy

The mechanics of the new policy are quite simple. Transfer of any balance at a member bank to the account of a foreign central bank at the Federal Reserve causes a reduction in the reserve account of the member bank. To the extent that the outflow of gold is based on such transfers, reserve balances are reduced, unless the Open Market Committee of the Federal Reserve system buys governments and, thus, restores the reserve balance. So, merely by "sitting on their hands" under such circumstances, credit can be effectively restricted by the monetary authorities.

Pressure on reserve balances which forces the member banks to borrow, and higher discount rates which trumpet the intentions of the monetary authorities, and also make it more expensive to borrow, reduce the "propensity," to use one of Lord Keynes' favorite words, of the banks to loan and invest. As the member banks have already disposed of a considerable portion of their short-term Treasury bills and certificates, they can only, as a practical matter, restore their cash position through rediscounts.

Such a credit policy inevitably brings tighter credit and higher money rates. But, here is the thing to remember: *When this tightening takes place, it is an indication that the downturn in business is not far off.* And, as you know, a downturn in business will mean a reversal of the credit policies of the Federal Reserve, and basic supply and demand factors will also press interest rates downward.

Conclusions

My conclusions are that the new credit restriction policy of the monetary authorities is effective, has caused a stiffening in rates, and will be continued until business activity turns downward.

The basic demands for capital will be sharply reduced when business activity slackens, if not before.

Our capacity, both personal and corporate, to create capital is very great. Likewise, our ability to support expansion of bank credit is very great. As proof of this statement, consider the heavy increase in burden of more than $25 billion assumed by our credit and capital markets in 1952, with negligible changes in interest rates—and they weren't all increases, either.

Once business activity turns downward, the credit policies of the Reserve authorities will naturally undergo a change, and money rates will be lower. The extent that long-term rates will decline in the future will depend not only on basic forces, but also on the debt management policy of the government. As the present Administration seems determined to lengthen maturities, it must not be overlooked that the Treasury is in a position to to increase the supply of long-term government obligations, thereby replacing the reduced volume of long-term bonds offered by the private sector of the economy. So, even though other economic factors indicate a long-term downward trend of interest rates, debt management must be carefully watched, as it can offset, or even more than offset, the basic tendency toward a lower level.

Raymond T. Crane

Raymond T. Crane, partner in Homans & Co., New York City, passed away April 9.

Crooks Renominated By N. Y. Stock Exch.

Richard M. Crooks has been renominated to serve for the third successive term as Chairman of the Board of Governors of the New York Stock Exchange.

Richard M. Crooks

Mr. Crooks, first elected Chairman in May, 1951, is a partner in the Stock Exchange firm of Thomson & McKinnon and has been a member of the Exchange since 1941. He is 47 years old and was elected to the Board of Governors in 1946.

The Nominating Committee also proposed eight new members of the Board and renominated two to fill vacancies created by expired terms. The membership of the Exchange will vote on the selections on Monday, May 11. The Nominating Committee is headed by Joseph H. Brown, Reynolds & Co.

Nominated as new Governors were: Robert Bennett Berman, Neuberger & Berman; Clarence A. Bickel, Robert W. Baird & Co., Milwaukee, Wis.; Jean Cattier, White, Weld & Co.; Rowland H. George, Wood, Struthers & Co.; Benj. H Griswold, III, Alex. Brown & Sons, Baltimore, Md.; John H. Hayward, Reinholdt & Gardner, St. Louis., Mo.; Jerome W. Nammack, West & Nammack, and Edward C. Werle, Johnson & Wood.

Governors renominated were: James Crane Kellogg, 3rd, Spear & Leeds, and Otto A. Schreiber, Haydock, Schreiber & Co.

Total membership of the Board is thirty-three.

Renominated to be trustees of the Gratuity Fund, which pays death benefits to families of deceased members of the Exchange were: Thatcher M. Brown, Brown Brothers Harriman & Co., and John M. Young, Morgan Stanley & Co.

The 1953 Nominating Committee also proposed a new Nominating Committee for 1954: Charles K. Dickson, Auchincloss, Parker, & Redpath; Thomas F. Fagan, Moore & Schley; Charles J. Hodge, Glore, Forgan & Co.; W. Fenton Johnston, Smith, Barney & Co.,; Bernard Kalker, Brunner & Co.; William P. Marseilles, Jr., Murphy & Marseilles; Wickliffe Schreve, Hayden, Stone & Co.; Richard H. Smith, G. H. Walker & Co., and Leonard Wagner, Wagner, Stott & Co.

N. Y. Bank Credit Assoc. to Hold Dinner Meeting

The Bank Credit Associates of New York will hold their regular dinner meeting April 23 at 6 p.m. at Fraunces Tavern. Murray Lee, Economist with the American Bankers Association of New York, will be speaker, his topic being "Pitfalls of Business Forecasting."

Reservations should be made on or before April 20 with William D. Smith, Manufacturers Trust Company, Brooklyn, N. Y. Tariff for the dinner is $4.50 and remittances should be sent to James A. Dalton, Treasurer of the Association, Bankers Trust Company, New York City.

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Coming Developments In Labor Relations

spread? Not to any great extent. Long-term contracts have some appeal to employers, but little or no appeal to the unions, for unions thrive on negotiations. It is when negotiations are impending or going on that the interest of members is most easily aroused. Furthermore, the negotiations give union officers a chance to demonstrate their skill as bargainers. Long-term contracts mean that managements find the ordinary managerial routines less frequently interrupted by time-consuming negotiations, but long-term contracts can be quite burdensome to managements in times of deflation. At any rate, few managements would be willing to pay the price which unions would expect for accepting a long-term contract. Consequently, I do not expect to see many five-year contracts. I do, however, expect to see greater use of the automatic renewal clauses which provide that the contract is automatically extended unless one side asks for changes.

(2) **Will adjustments of wages to changes in the cost of living or to an improvement factor spread?** Again the answer is, "Not to any important extent." The growing belief that there may be some drop in the cost of living will make automatic cost-of-living adjustments less attractive to unions. Automatic adjustment of wages to an improvement factor is not attractive to employers except as an inducement to get unions to accept long-term contracts. Furthermore, only a few employers in a strong financial and competitive position can afford to commit themselves several years in advance to automatic wage increases. Uncertainties about the future general state of business will diminish the willingness of employers to bind themselves to raise wages regardless of conditions. But some employers might be willing to accept one automatic wage increase in order to get a two-year contract.

(3) **Will the annual wage or some variant of it be widely introduced?** I believe that there will be considerable pressure from unions that employers supplement unemployment compensation with additional payments. This pressure will be a natural result of lay-offs and the fear of lay-offs. Sometime within the next year or two there are likely to be moderately severe lay-offs in the automobile industry and in some of the plants making other forms of durable consumer goods. The steel industry is less vulnerable to lay-offs than the automobile industry or other industries making durable consumer goods, but branches of the steel industry may well experience lay-offs and the fear of lay-offs is likely to extend to many steel workers who never experience them. In short, conditions during the next several years are likely to make the demand for supplementary unemployment compensation quite an attractive proposal to many workers.

Most employers are not financially able to guarantee an annual wage to a very large proportion of their work force, but supplementary unemployment compensation paid out of funds accumulated in good years is within the reach of most employers. The amount of supplementation will be a matter of bargaining and can be adjusted, therefore, to the circumstances of different employers. It would be preferable to increase unemployment compensation by amending the various state laws because all employees and employers in the state would then be affected alike. Unions, however, probably lack the political strength to get the state laws changed. Hence, they will get somewhat the same result by the use of their bargaining power. If unions were able to negotiate supplementary unemployment compensation for 10 million workers, they would make a fairly important contribution toward mitigating the severity of recessions, and, therefore, toward stabilizing the economy.

(4) **Will industry-wide bargaining become quite usual?** The answer is "No." Much more likely is the spread of "pattern bargaining" which is already well established in the principal industries. The typical structure of American industry is that four to eight companies turn out from one-half to four-fifths of the production. One might expect that the few leading companies in each industry would combine to make a bargain with the union or unions. Each of these companies knows perfectly well that it must pay substantially the same rates as the others are paying. In the rubber industry, the automobile industry, the steel industry, the petroleum industry, the meat packing industry, and other industries, the necessity for substantial uniformity in basic conditions among the large concerns has been demonstrated again and again. Furthermore, when the union bargains with one employer at a time, it is in a position to whipsaw the employers.

One might expect that these conditions would lead unions to oppose industry-wide bargaining and the companies to demand it. The unions are aware of the advantages to them in the whipsawing method. Nevertheless, one industry-wide bargain gives the national officers of unions better control of their organizations. Separate bargains with different employers tend to develop within the union secondary leaders whose power limits the influence of the national leaders. Furthermore, participation by national officers in all important negotiations is physically exhausting and time-consuming. Hence, most national union leaders would prefer one bargain for the industry, or at least with the principal employers in the industry.[5]

The use of the whip-sawing method by unions does not cause managements of large concerns to demand industry-wide bargaining. Managements of large enterprises verge on being prima donnas. They may not have a free hand under pattern bargaining, but they enjoy their nominal freedom, and they are extremely reluctant to give any committee authority to bind them. The whip-sawing method probably causes money wages to rise a little faster than they otherwise would increase. It does not, however, put any one of several competitors at a disadvantage because what one competitor concedes the others must soon give also.

(5) **Will wages rise faster than output per manhour so that costs per unit of output rise?** The answer to this question depends in the main upon the state of employment and unemployment because the bargaining power of employees depends, among other things, upon the amount of employment. Evidence is still too scanty to establish with precision at what unemployment rate hourly earnings plus other labor costs (such as pension and welfare premium payments) rise no faster than output per manhour, but the critical unemployment rate appears to be roughly about 5% or 6%. At any rate, from January, 1949, to January, 1950, when unemployment averaged 5.5% of the civilian labor force, hourly earnings in non-agricultural industries increased by a little more than 2.1%.[6] This is a little less than the estimates of increase in output per manhour for the economy as a whole. These estimates are rough, but put the average increase at about 2.5% per year. In addition, labor costs were increased by the rapid spread of private pension and welfare plans during 1949—a spread which was stimulated by the difficulties of the unions in negotiating wage increases. Contributions to such plans in 1950 were $456 million greater than in 1949.[7] This represented a rise of 0.4% in private payrolls and was equivalent to about the same percentage rise in wages per hour. Hence, the total rise in labor costs per hour was almost exactly the same as the estimated increase in output per manhour. All of this happened while the consumer price index was dropping 1.5% and the index of the wholesale price level of non-farm and non-food products was dropping 4.3%. During the year 1952, when unemployment averaged 2.7%, hourly earnings increased somewhat more than twice as fast as output per manhour.

Perhaps in the years immediately ahead the country will not be able to keep the unemployment rate below about 5% of the labor force. In that event, hourly earnings will probably not outrun output per manhour. If the country can keep unemployment down to about 3% or 4%, hourly earnings plus other labor costs are likely to rise faster than output per manhour, unless the increase in output per manhour can be materially speeded up or unless employers do a better job of bargaining than they have done up to now.

IV

The Characteristics of Unions and the Position of Unions in the Community

Several principal conditions have been influencing the characteristics of unions and their position in the community. Some of these are conditions that have made collective bargaining work quite satisfactorily from the standpoint of employees. Another principal condition is the great rise that has occurred during recent years in union membership and strength. The conditions that have made collective bargaining operate satisfactorily from the standpoint of employees have, on the whole, been conservative in their influence—that is, they have strengthened the traditional characteristics of American trade unions. The gains in union membership and strength, on the other hand, have been an influence for change because they have helped develop new attitudes toward unions on the part of employers, the community at large, and public officials.

It is not necessary for me to discuss at length the conditions that have made bargaining operate in recent years so favorably for employees—though these conditions present a number of interesting questions of interpretation. It is not enough that the market has generally been a sellers' market because in a sellers' market prices and wages might rise at about the same rate so that real wages changed little. After a few years of that sort of thing, the unions might decide that bargaining was not a particularly good way of advancing their interests. As a matter of fact, however, wages have been outrunning prices. Between January 1946 and July 1952, hourly earnings of non-agricultural workers increased by more than 63% while the consumers' price index rose about 47%. Hence, the sellers' market has not prevented bargaining from working well from the standpoint of employees.

Let us see why the experience of unions with bargaining during recent years has been a conservative influence on the labor movement. Three characteristics have been conspicuous in the American trade union movement: (1) the reliance of unions upon bargaining rather than upon political action; (2) the meager participation of members in union affairs and the disposition of the members to turn over policy making to the officers of the union; and (3) the small influence of the federations (A. F. of L. and the C. I. O.) with the member unions. I shall not attempt to discuss the origin of these characteristics, but I wish to point out how they have been strengthened by recent conditions.

It is obvious that the traditional tendency of the American trade union movement to rely on bargaining would be strengthened by conditions that have made bargaining work well from the standpoint of employees. But why have the two other traditional characteristics been strengthened? The tendency of the members to let the officers run the unions has been strengthened by the fact that the officers have been able to negotiate favorable bargains for the members. The members prefer to let well enough alone. The influence of the federations with the member unions, which has always been weak, has been kept weak by the conditions that have caused each national union to be pretty much absorbed in its own bargaining problems and only mildly concerned with the problems common to all workers—the kind of problems which are the proper concern for a federation.

The great gains in union membership and strength have brought about important changes in attitudes toward unions—changes in the attitudes of employers, the community at large, and government officials. Employers, particularly the large ones, now accept unions as here to stay. The employers may not be very happy about the presence of unions, but they are well aware of the strength of unions. Indeed, the great centers of union strength today are the open-shop citadels of yesterday—the plants of General Motors, Ford, United States Steel, Goodyear Tire and Rubber, and other large concerns which today operate under union shop contracts.

The community at large is slowly changing its attitudes toward unions. In the past, the community has always looked upon unions as underdogs, entitled to sympathy and special privileges. This habit of regarding unions as underdogs made the community uncritical about the methods used by unions. For example, if a method tended to equalize the bargaining power between the union and the employer, the community was inclined to tolerate it, even though the method imposed severe hardship on a neutral third party. There is still a tendency to regard unions as underdogs, but the community is gradually becoming aware of the great strength of unions. As this awareness spreads, the community becomes disposed to treat unions more or less as it treats other powerful economic organizations.

This change in public attitude towards unions is important. It is likely to be particularly useful in helping the public protect itself against stoppages that would imperil national health and safety. Heretofore, the great difficulty in protecting the rights of the public has been the knowledge on the part of the unions and union leaders that the public was idulgent toward them. Awareness of the great strength of unions creates a tendency for the public to regard unions as quasi-public organizations which should make a pretty complete account of their affairs and activities just as do large corporations. I do not think that the public believes that reporting should be compelled, but opinion has reached the point where frank disclosures to the public as well as to the members would be good public relations, at least for the larger unions.

Finally, public officials have slowly been changing their attitude toward unions. Historically there has been a marked contrast between the attitude of the courts and the attitude of legislatures toward unions. The courts have been unsympathetic, if not positively hostile. The legislatures passed law after law designed to help unions which the courts threw out. Eventually, the courts were forced to change their attitude and the Supreme Court, by a narrow margin, upheld the constitutionality of the Wagner Act. But as the courts became more friendly in their attitude toward unions, the legislatures have become more critical. Their change of viewpoint reflected the changing attitude of the community as a whole. The legislatures have realized that unions are now so large and powerful that the government cannot be content with simply encouraging them—it must stand ready to protect the community against abuses of trade union power. That change in point of view has found expression in considerable legislation in recent years at both national and state levels.

I believe that the conditions will continue to be favorable to bargaining from the standpoint of employees. Two developments in the economy, one extending over the last several decades and the other a development mainly since 1929, have made the environment distinctly more favorable to bargaining. The first is the rapid growth of industrial research which raises output per manhour and thereby provides more income to be bargained over. Since industrial research is growing rapidly, this encouragement to bargaining will be more important in the future than in the past. The second development favorable to bargaining has been the general acceptance of the view that it is the government's responsibility to encourage a high level of employment. Linked with this second development are the various measures that have been developed to make the economy less susceptible to recession.

I do not assert that we have seen the last recession in this country, but I believe that conditions in most future years are more likely to be favorable for bargaining than conditions during most past years. Hence, favorable bargaining conditions will continue to strengthen the traditional characteristics of unions.

The favorable outlook for bargaining from the employees' point of view has important implications for public policy. Since the bargaining successes of unions will cause the members to continue to leave the running of unions pretty much to the officers, some problems, such as the protection of the rights of individual members, will

[5] As a matter of fact, union leaders do not ordinarily desire industry-wide bargaining, though they do desire industry-wide "agreements." The leaders prefer, if possible, to carry out their negotiations with those employers who are most likely to make generous concessions and to apply the agreements made with these employers to the rest of the industry. Thus, in the coal industry, the union has preferred to carry on negotiations with the so-called "captive mines" of the steel companies or with a few low-cost coal producers.

[6] This is the weighted average of average hourly earnings excluding overtime in manufacturing and of gross average hourly earnings in metal mining, bituminous coal mining, building construction, railroading, the telephone industry, wholesale trade, and retail trade. In order to eliminate the effects of shifts from one industry to another, constant weights were used.

[7] U. S. Department of Commerce, *National Income*, 1951 Edition, p. 201.

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not necessarily be satisfactorily handled by the ordinary democratic processes which one might expect to prevail in unions. But will not the federations guarantee democracy and the protection of member rights within the national unions? They never have. Only on the Communist issue have the federations dared to intervene in the affairs of the member unions. The bargaining successes of the national unions will tend to perpetuate the weaknesses of the federations. Hence, the trade union movement will continue to lack effective means for dealing with such abuses as exorbitant initiation fees, racial discrimination, closed unions, arbitrary imposition of discipline on union members, denial to members of the right to elect their own officers, or the seizure of unions by criminals.

With the federations unable to police the member unions and with the attitude of the community toward trade unions changing, the stage is set for the government to provide such policing as the unions need. There is one hope of avoiding government intervention. When it becomes evident that the government is going to act, the federations may acquire the courage to act first. It took the clumsy jurisdictional dispute provisions of the Taft-Hartley Act to push the building trades unions into dealing with the ancient and notorious abuse of jurisdictional disputes, and it took a second investigation of conditions on the New York waterfront to force the A.F. of L. to disregard the whitewash report of its own committee of last spring and to attempt to drive the criminals out of the A.F. of L. affiliate.

IV

Public Policy Toward Industrial Relations

An epoch-making change in public policy toward trade unions occurred about 20 years ago, with the incoming of the Roosevelt Administration. I have called attention to the conflict which had previously existed between the attitudes of the courts and the attitudes of the legislatures. Perhaps the best way to describe the reality of public policy toward unions prior to 1933 was one of laissez-faire, or "hands off." The legislatures were disposed to adopt a policy of encouragement, but the vetoes of the courts prevented that. The courts were inclined to go quite far in controlling union activities in some areas, but effective administrative arrangements for implementing the common law were lacking. The result was that unions were neither effectively encouraged nor effectively controlled. They operated pretty largely on their own without effective help or restraint.

The Roosevelt Administration succeeded in converting this policy of hands off into a policy of encouragement. The great success of the policy of encouraging unions has forced the government to replace this policy with the one of control. The principal manifestation of the policy of control is, of course, the Taft-Hartley Act, but there have been many other manifestations in state legislation. It is sometimes overlooked that replacing the policy of encouragement by the policy of control is a tribute to the success of the policy of encouragement. Union membership and union strength grew so rapidly that steps had to be taken to protect the community against abuses of union power. The policy of encouraging men to organize has not been abandoned but it is being supplemented with the policy of control.

Many people in the trade union movement hope that the policy of control will be a temporary one. I do not believe that it will be temporary, because I expect to see unions gain in membership and strength. If unions remain permanently strong, the policy of control will last indefinitely. Some union leaders believe that unions cannot thrive under a policy of control and that the policy will destroy itself by undermining the strength of unions. I do not agree with this view. The policy of control does not interfere with the normal functioning of unions. It simply prevents them from practicing coercion and discrimination, from conscripting neutrals in their fights against employers or in their fights with one another, from arbitrarily depriving workers of their jobs. Such restraints on unions do not weaken them. On the contrary, these restraints probably help unions by making them less likely to abuse their power.

All of this means that the year 1947, when the Taft-Hartley Act was passed and took effect, is more significant in the history of labor relations than the year 1953, when an avowedly pro-labor administration was replaced by an administration pledged to neutrality. The Taft-Hartley Act may be regarded as symbolizing the transition in fundamental policy that I have been discussing — namely the transition from a policy of encouraging unionism to a mixed policy of encouragement and control. The Taft-Hartley Act was crudely drawn and has many defects of detail. It even has some major defects — for example, its inept arrangements for handling emergency disputes. But the Taft-Hartley Act has the great merit of embodying the principle that basic labor legislation must be balanced and two-sided instead of one-sided. By a one-sided law, I mean a law such as the Wagner Act which conferred rights on employees and unions, but no duties; by a two-sided law I mean a law such as the Taft-Hartley Act which confers rights and duties upon employers, employees, unions, and employers.

One does not need to reflect very long to understand that the public will not tolerate the kind of amendments to the Taft-Hartley Act that would destroy its two-sided nature. Consider some of the kinds of restraints imposed by the Taft-Hartley Act. Does the public wish to give unions the right to engage in mass picketing, to say who shall and shall not enter plants? Does the public wish to confer on unions the right to require that men must join a union in order to work in a plant or an industry without at the same time imposing on unions the obligations to take in all properly qualified persons on reasonable terms and without forbidding unions from arbitrarily depriving any member of his membership? Does the public wish to give either unions or employers the right to conscript neutrals in labor disputes? Does the public wish to give the workers in one plant the right to punish workers in other plants by refusing to handle the product made by them when the only dereliction of the offending workers is that they joined the wrong union or refused to join any union? The Taft-Hartley Act expressly denies all of these rights to unions.[8] No Congress, whether Democratic or Republican, is going to confer on unions the right to do the sort of things I have just mentioned. The principle of two-sided basic labor legislation has been established once and for all. It will not be disturbed. A two-sided law means much more government in labor relations than a one-sided law. The Eisenhower Administration is said by some careless commentators to be pledged to less government in labor relations. But it is pledged to support the basic principles of the Taft-Hartley Act. Consequently, I am compelled to believe that the Eisenhower Administration stands for more government in labor relations than those who would eliminate a large part of the Taft-Hartley Act.

Will it be possible to keep industrial disputes out of the White House? It ought to be possible to reduce the number of serious disputes that reach the White House. The method by which this can be done is very simple—namely, by the President's convincing both employers and unions that he is so completely neutral that neither side has anything to gain by letting their disputes get into his hands. Mr. Roosevelt and Mr. Truman got plenty of disputes brought to them because they were regarded as favorable to labor. The unions brought their disputes to the President because they expected to get help from him. The employers brought no disputes to Mr. Roosevelt or Mr. Truman. But if the President is so neutral that he is quite unpredictable and that neither side expects any advantage from letting the dispute get into his hands, both sides have the maximum incentive to attempt to settle their differences.

But even a strictly neutral President cannot be sure that no dispute will ever reach the White House because even complete neutrality on his part will not assure that the parties always will settle their differences. If a large part of our jet plane output, for example, were on the verge of interruption, the President would have to intervene. He cannot escape the responsibility of vigilantly protecting the country's security. Consequently it is idle to assume that all industrial disputes can be kept out of the White House.

A dangerous notion that seems now to have gained considerable support in Congress is the proposal that Congress assume the responsibility for handling disputes that are on the point of jeopardizing the national health or safety. Such a method would plunge industrial relations deeply into politics. I cannot imagine a worse way of dealing with an industrial dispute.

V

Some Concluding Observations

Let me conclude these remarks with some speculative observations about the effects of trade unions on management and the economy.

(1) **Will trade unions encroach seriously upon the so-called "prerogatives" of management?** The essential job of management is exercising judgment. One may distinguish between the fundamental framework of rules and policies within which judgments are made and the judgments themselves. Furthermore, one may distinguish between the judgments and criticisms of these judgments. Trade unions have had a good deal to do with formulating the basic framework of rules and policies within which managements operate. They have also been vigorous and useful critics of the decisions that managements have made within the general framework of rules and policies. Trade unions, however, have not shown interest in taking over the making of managerial decisions.

I expect that the role of trade unions in the foreseeable future will be very much what it has been in the past, namely, bargaining for changes in fundamental policies and criticizing the specific decisions of management, but not participating as a rule in the making of operating decisions. The reason is that the interests of the employees are amply protected by the union's participation in the making of fundamental policies affecting employees and by its opportunity to challenge specific decisions of management. It should be noted, however, that managements in reaching judgments on operating problems frequently find it helpful to seek suggestions and advice from union representatives.

(2) **Will the fundamental attitude of trade unions toward management change** — will unions cease to be a strong and effective challenge to management and adopt, in considerable measure, a policy of collaboration? Radicalism of the traditional sort will be less influential in the trade union movement in the future than in the past. The great ally of radicalism has been economic depressions. Depressions have not been eliminated, but great progress has been made in reducing their severity. Hence, the environment will not be favorable for radicalism of the traditional sort.

It does not follow that unions will adopt a policy of collaboration with management. Neither managers nor union officers desire this. Unions will be more businesslike and matter-of-fact than they were in the days when economic suffering conferred influence on radical leaders. When working together with management is a natural course of action for a businesslike union, the unions will do this. It is perfectly businesslike, however, for buyers and sellers to bargain vigorously over the terms of sale. Hence, I expect to see unions press management stubbornly for wage and other concessions.

(3) **Will the economic demands of trade unions destroy capitalism?** Lindblom has argued that this will happen. His arguments may be applicable to some countries, but I do not think that they are applicable to the United States. This country has a large and persistent export surplus. It has been difficult to reduce this surplus because productivity per manhour has been rising in the United States at least as rapidly as in most other countries. A country with a large and persistent export surplus can easily adjust its economy to strong unions by offsetting increases in labor costs with higher selling prices. But if the United States ever has to adjust itself to a prolonged and substantial deflation, its large and powerful trade union movement may be a source of grave difficulties.

The picture of developments in industrial relations that I have painted is a gloomy one for those persons who would like to see a radical and militant labor movement in the country. The culture of the community in so far as it is determined by economic conditions, will be a laboristic one because four out of five workers in the community will be employees. Hence, the culture will reflect the outlook and interests of employees. But it will not be a community in which radicalism flourishes—at least in the economic field. Radicalism is an expression of weakness, maladjustment, failure, and despair. Give men hope, let them become pretty well adjusted to their environment and pretty successful in realizing their aims and you have a community of conservatives.

The American workman, provided with strong unions that raise wages faster than productivity increases, guarded in most cases from layoff by some years of seniority, protected from want during unemployment by high unemployment compensation, and protected from arbitrary treatment on the part of management by an elaborate system of trade agreements, shop stewards, and machinery for handling grievances, will be fundamentally conservative on issues of social policy. Perhaps he will be too conservative — because conservatism no less than radicalism can be overdone. It can be a reflection of lack of aspiration, an absence of ideals. As a matter of fact, however, I do not believe that in this competitive and rapidly changing society men are likely ever to become too well satisfied with what they have.

As I reach the end of these remarks, let me give a few words of warning to the conservatives and a few crumbs of comfort to the radicals. I said a few moments ago that a large and powerful labor movement could cause the country grave difficulties if the United States were ever compelled to adjust itself to prolonged deflation. Millions of workers who had acquired the habit of expecting their unions to win them frequent wage increases would be unable to understand why their unions were suddenly unable to do this. Chronic and substantial unemployment would be baffling to men who had learned to expect close to full employment. When comfortable and well-adjusted conservatives are suddenly shifted into an unfriendly and harsh environment, you have a community of radicals. So the very success of our economy causes it to give hostages to fortune. The more satisfactorily it operates, the more workers and others demand of it. Even more in the future than at any time in the past, therefore, it is imperative that the economy expand at a good rate, that it avoid serious recessions, and that it succeed in giving people the steady increases in their standard of consumption that they have learned to expect.

8 The Taft-Hartley Act does not even permit the closed shop subject to the obligation of unions to maintain an open door and to deprive no one of membership arbitrarily. I think that the Taft-Hartley Act in this respect goes too far and that the closed shop with proper safeguards should be permitted.

N Y Bond Club to Hold Annual Field Day

The Bond Club of New York will hold its 29th annual Field Day on Friday, June 5, according to an announcement made by Joseph A. W. Iglehart of W. E. Hutton & Co., the club's president. The Sleepy Hollow Country Club, Scarborough, New York, will again be the scene of the outing.

Named Field Day chairman is Edgar J. Loftus, of R. S. Dickson & Co., Inc. He will be assisted by four general chairmen—Hudson B. Lemkau, of Morgan Stanley & Co.; John W. Dayton, Jr., of Clark, Dodge & Co., W. Scott Cluett, of Harriman Ripley & Co., Inc. and John L. Gaerste of Cooley & Co.

Entertainment and sports at the outing will be handled by fourteen committees. These committees and their chairmen are:

Attendance, Ernest W. Borkland, Jr., Tucker, Anthony & Co.; Bawl Street Journal, Wickliffe Shreve, Hayden, Stone & Co.; Chairman, John Straley, Editor; Bawl Street Journal Circulation, Adrian M. Massie, New York Trust Co.; Entertainment, Harold H. Sherburne, Bacon, Whipple & Co.; Food and Beverage, Egerton B. Vinson, DeHaven, Townsend, Crouter & Bodine; Games, Albert B. Hager, Halsey, Stewart & Co.; Golf, William E. McGuirk, Jr., Kuhn, Loeb & Co.; Horseshoe Pitching, Brainerd H. Whitbeck, First Boston Corp.; Publicity, William H. Long, Jr., Doremus & Co.; Racing, J. Raymond Smith, Weeden & Co.; Special Features, Richard J. Buechler, E. F. Hutton & Company; Stock Exchange, Sydney G. Duffy, Blyth & Co., Inc.; Tennis, Walker W. Stevenson, Jr., Hemphill, Noyes & Co.; Trophies, James D. Robertson, Goldman, Sachs & Co.

John Parkinson

John Parkinson passed away April 11 at the age of 69. Mr. Parkinson was a special partner in Hutchins & Parkinson of Boston, of which he was a founder in 1926.

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Public Utility Securities

By OWEN ELY

Eastern Gas & Fuel Associates

Eastern Gas & Fuel Associates was formerly controlled by Koppers Company (one of the Mellon family enterprises), but in the recapitalization of Oct. 1, 1950, Koppers divested itself of its controlling interest. Eastern's principal office is in Boston, and the make-up of its Board of Trustees (including such names as Adams, Cabot, Coolidge and Dumaine) seems to indicate Boston control; an important block of stock is said to be held by State Street Investment Corp. The common stock sells around 11 on the American Stock Exchange and has been paying dividends at the rate of $1 per annum.

Eastern's set-up includes a diversified group of important enterprises centering around coal, with total sales in 1952 of $169 million (compared with $184 million in 1951). Last year bituminous coal sales furnished about 48% of total revenues, coke about 18%, and gas sales about 18%; with chemicals, department stores, coastwise and foreign shipping, a blast furnace and miscellaneous enterprises accounting for the remaining 16%. The company also owns 96% of the common stock of the Virginian Corp. which in turn has a 58% common stock interest in Virginian Railway, which serves the company's mines. The Virginian Railway stock is pledged under a 4½% note held by The Prudential Insurance Co., which is being paid serially, and by 1961 should be completely retired.

Eastern's own balance sheet is in better shape than it was a few years ago. As of Dec. 31, 1952 it had current assets of $48 million, against current liabilities of about $21 million. The $19,435,000 inventory included $2,508,000 "coal for resale" and $3,073,000 "coal for carbonization," the balance being fairly well diversified. Hence inventories should not be vulnerable despite the weakened condition of the bituminous coal industry. The system capital structure (excluding Virginian Corp.) was as follows:

Long-term Debt	$54,000,000	36%
4½% Preferred Stock	25,000,000	16
Common Stock Equity	72,000,000	48
	$151,000,000	100%

The company's commercial and coal mining properties have been substantially written down (net after reserves is $60 million) and the utility properties are carried at some $47 million net. Outside investments approximate $18 million, including about $12 million in Virginian Corp. and $5 million in common stock of Algonquin Gas Transmission Co. (thus far unprofitable).

Based on the present capital structure, the earnings record may be summarized as follows (from Standard & Poor's):

Year	Net Sales	Net Income	Common Sh. Earnings
1952	$169,000,000	$6,500,000	$2.10
1951	184,000,000	8,800,000	2.97
1950	156,000,000	6,100,000	1.94
1949	138,000,000	3,700,000	1.00
1948	169,000,000	9,400,000	3.21
1947	151,000,000	8,800,000	2.96
1946	109,000,000	4,800,000	1.44
1945	107,000,000	3,900,000	1.09
1944	111,000,000	3,100,000	0.75
1943	109,000,000	3,100,000	0.77
1942	100,000,000	3,100,000	0.79
1941	90,000,000	3,500,000	0.91
1940	75,000,000	3,000,000	0.72
1939	68,000,000	1,300,000	0.06

The company has 17 coal mines in West Virginia, Kentucky and Pennsylvania with an estimated life of over 60 years. Eastern's subsidiaries and affiliates, together with Koppers Company, use about one-third of the output. About one-third of coal sales reflect coal purchased for resale, which affords some protection against depression conditions in the industry.

Net income by divisions or subsidiaries is not published in the stockholders' report (a few figures might be obtainable from the 10-K Report filed with the American Stock Exchange) but net sales figures were reported as follows by major divisions:

	1952	1951	Percent Change
Coal	$75,100,000	$87,100,000	—14%
Gas	33,200,000	32,100,000	+ 4
Coke Plants	32,300,000	32,600,000	— 1
Stores	9,500,000	11,100,000	—14
Marine	8,500,000	9,800,000	—14
Pig Iron	7,300,000	9,000,000	—18
Other	2,600,000	1,900,000	+35
Total	$168,600,000	$183,600,000	— 8

Earnings last year were adversely affected by the steel and coal strikes and the decline in the export movement of coal. Moreover, the bituminous coal industry has been increasingly hurt by the movement of Bunker C oil from Venezuela, shipments of which have increased as a result of lower tanker rates and other factors. This oil competes with bituminous coal along the eastern seaboard, and some electric utilities are burning increasing amounts of oil. The bituminous coal industry has appealed to Congress to try to check the flow of this oil.

Due to the sharp decline in share earnings (from nearly $3 in 1951 to $2.10 in 1952 and $1.78 for the 12 months ended Feb. 28, 1953) some doubts have arisen regarding the safety of the $1 dividend, paid since recapitalization. President Lee has intimated that earnings may decline a little further before they "level off" but the management appears hopeful that the $1 rate can be maintained.

Last year's earnings included a nonrecurring item of about 34 cents (released gas revenues of previous years) but the company might also benefit this year or next by substantial refunds on Boston personal property taxes, now being litigated.

Sinking fund requirements and serial maturities take about $2.2 million a year cash, and the earnings equity in Virginian Corporation of over $1 million is reinvested in stock of that company (to permit it to pay off a serial loan). However, system cash from depreciation, depletion and retirement provisions ($6.3 million last year) can probably be partially used for sinking funds as well as for improvements. For the time being, additional cash may not be needed for the Algonquin Pipe Line enterprise, still kept out of operation by litigation.

Continued from page 13

Federal Electric Power—An Evil Force of Creeping Socialism

been due to rising prices but such an excuse by no means explains the degree of underestimate. Some of this underestimation is possibly due to presenting the Congress with a modest project and then hugely edging it up.

Another variety of underestimation is such as the case of the Cumberland River development where the proposals were justified to the Congress on a valuation of the power which was subsequently sold for less than one-half that amount. Whether these are devices to persuade and commit the Congress or just incompetence, I do not know.

In any event such methods would break any business except government.

Unkept Promises as to Returns

The original New Deal promises assured Congress that these enterprises would pay 3% interest and pay back, that is, amortize the Federal investment over 50 years. This formula has either been abandoned, sadly ignored or juggled.

First: The cost of a multiple-purpose water project must be divided among its several functions, such as navigation, flood control, irrigation, community water supply and hydro-electric power. The interest and amortization of the Federal electric power investment can be decreased by assigning more capital cost to flood control and navigation. The reports of the Federal Comptroller General have protested that such favors have been done.

Some of the Federal enterprises do not include interest on their capital cost during construction, which, again, decreases the payment for interest and amortization on the Federal taxpayers' capital invested. All of which thereby decreases the claimed costs.

But these practices again subsidize the rates to a minority of consumers at the expense of the nation-wide taxpayers.

Second: Taking these enterprises as a whole, comparatively little interest and amortization have been paid to the Federal Treasury on the government investment over all the past years. There is a huge accumulation of this deficiency which should be repaid. Some of these Federal enterprises do not take into account interest and amortization in their costs and thus lower the rates they make their consumers. Some of them do not even enter such a charge in their books.

Some of them do not include the pensions to their employees which, under Civil Service, are partly loaded on the taxpayer.

Further, a question could also be raised as to the method providing for the costs of depreciation and provision for obsolescence.

Third: Our Federal Reorganization Commission employed Haskins and Sells, one of the leading accounting firms in the United States, to investigate the finances and accounting practices of a large part of these Federal electric power activities. They applied the yardstick of 3% interest and amortization in 50 years to the acknowledged Federal investment in power in many of these Federal enteprises. They found many of them would never be able to make the return which was at one time promised to the Congress.

Still Further Burdens and Losses To the Nation-Wide Taxpayers

And there are more burdens thrust on the taxpayer from this program of socialized power. He has to furnish by taxes the huge capital being invested. Also, as these Federal enterprises have not paid the promised interest, the taxpayer has had to pay it on government bonds. And the nation-wide taxpayer will have to stand all the deficits from mistakes and underestimates.

Under these present methods and practices, this burden and loss to the nation-wide taxpayer is not small change. It will run into billions.

And from another angle, if the price of power from the Federal enterprises were placed at a level which would include tax equivalents and all the other non-included costs, their rates generally would be equal to, and in some cases higher than, the rates of neighboring private utilities.

The Operating Balance Sheet

We can appraise what all this means in actual figures. I have received from the Federal Budget Bureau a statement of the gross receipts and gross operating expenses of these Federal enterprises taken as a whole for the fiscal year 1952, and the estimates for the year ending June 30 of this year. This statement shows an apparent surplus over operating expenses of about $100,000,000 for each of these years. Here, however, come in several great "buts."

If the omitted interest, the omitted amortization and the refunding of the accumulated deficiency of these items, and other costs I have mentioned were included, this so-called "surplus" would turn into a defict.

And I do not include in this deficit any equivalent for taxes—another large sum.

Also, I am advised that the operating receipts for 1952 could have been $75,000,000 greater had this power been sold at the market price.

Accounting

Our Reorganization Commission accountants condemned many of the Federal power financial and accounting methods and estimates. They found the true construction and operating costs to be obscured. They proposed many reforms which have not been adopted. The Comptroller General of the United States, as late as 66 days ago, commented on accounting deficiencies.

The Federal power enterprises do not even keep their accounts or present their statements in the intelligible manner which the government requires of private enterprise. They do, however, emit a host of propaganda figures in press releases.

I recommend to anyone interested in bureaucratic action to see whether he can add up the sums, past and present, involved in Federal electric enterprises from among the 4,000,000 words and sums in the Federal budget.

Other Effects on Citizens

All this affects the citizen in many ways aside from the injustice of huge losses and tax burdens which result in subsidized power to favored groups and communities.

There is a constitutional question involved in these enterprises which must concern the citizen. No one can even attempt to defend many of these activities except on the Welfare Clause in the Constitution. Under that interpretation, the Federal Government could take over about everything expect elections and the churches.

And there is a further important question to the citizen. There is here being ereeted a sort of Federal regional control in which state governments have some nominal representation but without authority. The people in these regions may get power at the expense of the nationwide taxpayer, but they are surrendering the control of their resources and energies to a Federal bureaucracy.

Remedy

However, I do not believe in criticism without remedies.

Over 20 years ago I recommended to Congress the transformation of an ex-officio Commission into a full Federal Power Commission with regulations which had teeth in them. The purpose was to control the oppressive empires then growing in the private electric utilities. The transformation was made but without the teeth. My successors set up the Securities and Exchange Commission to do this de-empiring. Now, however, it is the Federal Government itself that urgently needs the same de-empiring.

The first steps should be:

(1) The Congress should cease to make appropriations for more steam plants or hydro-electric plants solely for power. If they are justified, private enterprise will build them and pay taxes on them.

(2) The Congress should follow the precedent of the Colorado project and make no more appropriations for new multiple-purpose projects unless the electric power is first leased on terms, the standards of which I will describe in a moment.

(3) The Congress should, jointly with the President, set up a temporary Commission on reorganization of this whole Federal venture with resources to employ technical assistance.

(a) This Commission should investigate and recommend proper methods of accounting and a revision of the division of Federal investment in these projects between electric power and other purposes, and recommend proper practices for the future;

(b) The Commission should report on the actual cost of, and the prospective returns from, each of these major enterprises;

(c) The Commission should formulate the methods and standard terms for leasing generating plants, transmission lines and the electric energy to private enterprise or to municipalities or to the States or to regional authorities that may be set up and managed by the States. These standard terms should provide for payment of interest and amortization of the Federal investment, the refunding of arrears in these items and also some contribution in lieu of taxes. The latter would not need apply in cases of private enterprises as they pay their own taxes.

(d) The Commission should develop methods by which non-Federal agencies can share cooperatively in the cost of future capital outlays on the electrical part of multiple-purpose dams.

Working Out These Policies

Some of these projects could be disposed of so as to return these standard terms to the Federal Government. Others, due to

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excessive cost, may need concessions, and the Federal Government would need cut its losses.

Others of them, pending disposal, will need continue to be operated by the Federal Government. In these cases the Commission should recommend what rates they should charge their customers so as to make the standard returns. They should recommend methods to compel such payments to the Federal Treasury instead of their diversion to other purposes. Such action would test the value of these enterprises and, in some cases, indicate what losses may need be cut.

The objective of the whole proceeding should be to get the Federal Government out of the business of generating and distributing power as soon as possible.

In any event, the consumer at all times can be protected by regulation of rates by the state or Federal authorities.

The Results

It is my belief that, if these proposals be carried out, the ultimate result would be a substantial return to the Treasury without consequential operating expense or bureaucracy.

Moreover, the agencies to whom these projects were leased would undertake or cooperate in their own expansions.

It is my belief that if these things be done, the Federal Government ultimately could reduce its annual investment in power enterprises by at least $600,000,000 per annum.

This program would begin the end of Federal bureaucratic regional control of the states and their people.

Above all, we would rescue free men from this variety of creeping socialism. The American people have fought off socialized medicine, but here is a hole in the dike of free men that is bringing a flood.

There are those who shy away from the use of the term "socialism," or the name of Karl Marx, in connection with what is going on in the power field. But, excepting those who **desire** socialization, they are blind to the facts. Socialism has become the world's nightmare. It is not the American dream.

The intellectuals who advocate these Federal activities carry a banner on which they falsely inscribe the word "liberalism." There is one thing I can say beyond any measure of doubt. It is a false liberalism that expresses itself by Federal operation of business in competition with the citizen. It is the road not to more liberty but to less liberty. True liberalism is found not in striving to spread bureaucracy, but in striving to set bounds to it. True liberalism seeks all legitimate freedom, in the confident belief that without freedom, all other blessings are vain. Liberalism is a force truly of the spirit coming from a realization that economic freedom cannot be sacrificed if political freedom is to be preserved.

Joins Norris & Hirshberg

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — William C. Appleby has become associated with Norris and Hirshberg, Inc., C. & S. Building. He was previously with Beer & Co.

Courts Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga.—John B. Ellis has become affiliated with Courts & Co., 19 East Twelfth Street. He was previously with the Columbus Bank & Trust Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

PEORIA, Ill.—Donald J. Risser is now affiliated with Waddell & Reed, Inc.

Continued from page 5

The State of Trade and Industry

to the companies will be given after the wage policy committee meeting in Atlantic City, this trade magazine declares.

Negotiating sessions must begin within 30 days after May 1. If there is no agreement by midnight of June 30, the steelworkers are free to strike to enforce their demands. Although any wage negotiations might boil over into a strike, there are deterrents to a strike this year. Among them are: (1) It was only last summer that the steelworkers were out on a long strike, and they aren't eager to be on strike so soon again. (2) The slight softening that's evident in some quarters of the steel business may have a sobering effect on demands and attitudes of the steelworkers' union. (3) For the first time the union will not have the government supporting it in negotiations or in a strike, "Steel" magazine observes.

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 96.7% of capacity for the week beginning April 13, 1953, equivalent to 2,180,000 tons of ingots and steel for castings. In the week starting April 6, output totaled 2,230,000 tons with the operating rate at an average of 98.9% of capacity. For the like week a month ago the rate was 101.5% and production 2,288,000 tons. A year ago when the capacity was smaller actual output was 2,038,000 tons or 97.1%.

Electric Output Declines Further in Post Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended April 11, 1953, was estimated at 8,001,165,000 kwh., according to the Edison Electric Institute.

The current total was 17,596,000 kwh. below that of the preceding week when output totaled 8,018,761,000 kwh. It was 846,876,000 kwh., or 11.8% above the total output for the week ended April 12, 1952, and 1,254,190,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Cut by Coal Miners' Holiday And Labor Troubles

Loadings of revenue freight for the week ended April 4, 1953, totaled 704,517 cars, according to the Association of American Railroad, representing a decrease of 10,820 cars or 1.5% below the preceding week largely due to a coal miners' holiday on April 1, and to labor troubles on two eastern railroads.

The week's total represented a decrease of 2,372 cars, or 0.3% below the corresponding week a year ago, and a decrease of 35,006 cars, or 4.7% below the corresponding week in 1951.

U. S. Auto Output Placed at 48% Above Like 1952 Week

Passenger car production in the United States last week advanced slightly above the previous week and was 48% higher than corresponding period last year, according to "Ward's Automotive Reports."

It aggregated 134,520 cars compared with 131,739 cars (revised) in the previous week. This was 48% more than the 91,105 cars turned out in the year ago week.

Total output for the past week was made up of 134,520 cars and 28,811 trucks built in the United States, against 131,739 cars and 28,997 trucks the previous week and 91,105 cars and 24,774 trucks in the comparable 1952 week.

Canadian factories turned out 8,776 cars and 3,290 trucks last week, against 6,909 cars anr 2,922 trucks in the preceding week and 4,988 cars and 2,313 trucks in the comparable 1952 week.

Business Failures Trend Lower

Commercial and industrial failures declined to 140 in the week ended April 9 from 171 in the preceding week, states Dun & Bradstreet, Inc. Down for the second consecutive week, casualties were considerably lower than the 184 which occurred a year ago and the 1951 total of 172. They remained 55% below the pre-war level of 313 in the similar week of 1939.

Most of the week's decrease took place among failures involving liabilities of $5,000 or more, which fell to 121 from 151 last week and 154 a year ago. Small casualties, those with liabilities under $5,000, dipped one to 19 and were off sharply from the 30 of this size in the corresponding week of 1952. Seven of the concerns failing last week had liabilities in excess of $100,000.

All industry and trade groups had fewer casualties during the week. Sharp declines brought wholesaling and commercial service failures down to 9 and 6 respectively, only one-half their number in the previous week. Retail trade showed a mild decrease to 75 from 85, while manufacturing dipped to 28 from 33 and construction to 22 from 23. The 1952 level was exceeded only in one line, manufacturing. Although construction casualties were almost even with last year, sharp declines occurred in the trades and service.

Wholesale Food Price Index Levels Off in Latest Week

There was a steadier tone in most wholesale food markets last week, following the sharp downturn of a week ago. The Dun & Bradstreet wholesale food price index for April 7 remained unchanged at the previous level of $6.32. This represented a decline of 0.8% from $6.37 on the corresponding date a year ago. It shows a drop of 1.6% from the 1953 high of $6.42 touched on March 17, but it is still 3.1% above the year's low of $6.13 recorded on Feb. 3.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Shows Little Change For Week

Despite continued weakness in some commodities, the general level of prices showed little change in the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 280.05 on April 7, comparing with 279.89 a week earlier, and with 301.33 at this time a year ago.

Grain markets were uncertain last week and prices continued to weaken on the possibility of an early resumption of peace negotiations in Korea. An improvement in the prospects for the new winter wheat crop and disappointing export business also contributed to the easiness in the bread cereal. Peace developments were also reflected in lower prices for corn although the market showed considerable rallying power at times, largely due to the fact that government marketings of corn have been much below trade expectations.

Buying interest in oats fell off and current offerings were more than ample for trade needs. Rye and barley prices declined in sympathy with other grains.

Heavy liquidation in grains was reflected in sharply expanded operations on the Chicago Board of Trade last week.

Daily average sales of all grain and soybean futures in the pre-Easter holiday week totaled 53,400,000 bushels, against a daily rate of 35,400,000 the previous week, and 32,100,000 in the same week a year ago.

Hard wheat bakery flours continued in slow demand as bakers and jobbers showed little inclination to purchase beyond small lots for immediate and nearby needs. An expansion in bookings is looked for in the near future due to the dwindling supply positions of many users. Cocoa was irregular but developed a firmer tone at the close, aided by a lack of offerings from producing areas. Warehouse stocks of cocoa declined to 69,687 bags, from 72,009 a week ago, and compared with 101,403 last year. Coffee finished lower for the week but displayed independent strength at the week-end. Support was influenced by increased shipment offers and a feeling in the trade that the recent decline had been overdone. Livestock markets at Chicago were irregular with hog values continuing to trend upward. Sheep and lamb prices advanced, aided by smallest receipts in several months. Steers were down moderately for the week.

Spot cotton prices held within a narrow range and finished slightly lower than a week ago. The market showed signs of strength at times but the general tone was easy, reflecting liquidation stimulated by Korean truce development and large acreage prospects.

The mid-March parity price for cotton was announced at 34.10 cents a pound, as compared with 33.85 a month earlier, and 34.47 a year ago.

Sales of cotton in the 10 spot markets were relatively small and totaled 68,400 bales last week, against 69,000 the previous week, and 112,600 in the corresponding week a year ago. Entries of the staple into the CCC loan stock increased slightly in the week ended March 27 to 27,300 bales, from 26,800 the week before. Loan entries during the month of March averaged about 29,500 bales per week, against a weekly rate of 66,500 in February.

Trade Volume Held to Level of Previous Week

Retail stores in most parts of the nation in the period ended on Wednesday of last week sold about as much as during the prior week. Shoppers' interest rose sharply in the few days before Easter as pleasant weather encouraged many purchasers. The usual post-holiday drop was somewhat lessened by attractive promotions of Spring clothing.

Consumers continued to spend slightly more than a year earlier, but many merchants noted increasing caution among prospective purchasers.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 2 to 6% higher than that of a year ago. Regional estimates varied from the year-ago levels by the following percentages: New England and Northwest +1 to +5; East 0 to +4; South +4 to +8; Southwest +5 to +9 and the Midwest and Pacific Coast +3 to +7.

Housewives increased their food purchases perceptibly in observances of the end of Lent. The consumption of beef was rather high for this time of the year as shoppers took advantage of recent price dips. Highly favored were the traditional ham and poultry. The most pronounced gains over the year-ago level were attained by supermarkets. Margarine, canned meats and frozen foods were more frequently purchased than they were a year ago. Food stores continued to chalk up small gains over the level of a year earlier.

Although household goods were slighted the past week, consumers continued to spend a larger share of their income on durables than they did a year ago. The sharpest rises over a year ago were in the demand for new cars. However, the sales of used cars continued to languish.

The volume of trading in most wholesale markets narrowed perceptibly in the week. Observers attributed the decline to uncertainty over the prospects for peace, a between-season lull, religious holidays, or a combination of all three. However, as it has during recent months, the total dollar volume of wholesale orders remained slightly larger than that of a year earlier. Buyers were increasingly chary about placing orders beyond the needs of the foreseeable future. The year-to-year rise in the buyer demand for durable goods remained sharper than that for non-durables.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended April 4, 1953, increased 8% from the level of the preceding week. In the previous week an increase of 11% was reported from that of the similar week of 1952. For the four weeks ended April 4, 1953, an increase of 11% was reported. For the period Jan. 1 to April 4, 1953, department store sales registered an increase of 6% above 1952.

Retail trade in New York the past week declined from 20 to 25% below the corresponding 1952 week, however, it should be noted that the latest week which followed Easter this year, had to compare with the final week of Easter buying in 1952. In addition, rainy weather the past week handicapped trade.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended April 4, 1953, registered no change from the like period of last year. In the preceding week an increase of 1% (revised) was reported from that of the similar week of 1952, while for the four weeks ended April 4, 1953, an increase of 4% was recorded. For the period Jan. 1 to April 4, 1953, volume declined 1% under that of 1952.

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Robert Weltz Opens

Robert Weltz is engaging in a securities business from offices at 511 Fifth Avenue, New York City. He was previously with Bache & Company.

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Mutual Funds

By ROBERT R. RICH

LORD, ABBETT & Company, in a four-page letter to distributors entitled, "A Discussion of Dividend Reinvestment Plans," made clear this week the reasons for its policy of allowing income dividend reinvestments at offering price rather than asset value.

Besides stating its own position, the company criticized two "questionable arguments," which have been advanced to support the procedure of allowing income dividend reinvestment at asset value. Lord, Abbett said asset-value-reinvestment was a dubious sales feature, that, "to tell a prospective investor that if he buys the shares of an investment company he can thereafter buy additional shares to the extent of his quarterly dividends without paying a sales charge subjects all sales charges to question in the prospect's mind. And it especially raises doubts as to the sales charge if the prospective investor intends to receive his quarterly dividends in cash."

The company also said that it did not believe in the contention that income dividends could be invested at asset value because the amount of commission lost is not small. "Based on dividends paid in 1952, we estimate that if the owners of 25% of the shares of all open-end investment companies whose shares are distributed by dealers were to reinvest their dividends at offering prices, the amount of commissions dealers would earn from such reinvestment would be over $2,000,000 a year." Fund managers allowing income dividend reinvestment at asset value were quick to point out that the "25% shareholder reinvestment" was a "nonsensical figure calculated to bail out an untenable argument."

In presenting its own case, Lord, Abbett stated, "We see no more reason why a shareholder should have a right to buy additional shares at asset value to the extent of some larger percentage of his assets, or of his income from other sources . . . we believe that it is the availability of the dividend reinvestment plan that is important, and not the ability of the customer to avoid the sales charge."

In concluding its argument, the company said, "We have no doubt that shareholders who do not understand the importance of dealers to the success of open-end investment companies like to use their quarterly dividends from such companies to buy additional shares at asset value so as to avoid the sales charge.

"We also have no doubt that the same shareholders would like to purchase even larger amounts directly from the companies at asset value. And all investment companies like to see their shareholders increase their holdings. But, for the reasons stated above, to give shareholders the right to buy at asset value, in our opinion, is not in the best interests of anyone. Ultimately, however, we believe that one policy or the other will prevail and that all open-end investment companies that distribute their shares through dealers will have the same kind of reinvestment plans."

OUTLOOK FOR electric utilities continues highly favorable, according to the April "Perspective," Calvin Bullock's monthly economic publication, which forecasts a 7 to 9% increase in the composite net income of class A and B electric utilities for 1953, compared with "a lusty 13.2% growth" for the industry in 1952.

Calvin Bullock takes issue "with some observers who believe further gains in net income would be small and utility stocks relatively unattractive, once the full benefits of the repeal of the 3½% energy tax was realized." "Perspective" holds that these observers minimize the continuing effect of other factors which in the aggregate have a greater impact on earning power.

While the increase of $418 million in total electric revenues for 1952 was $27 million less than the previous year's gain, largely due to the steel strike," the forecast states, "the expansion in volume of operations was heavily concentrated in the more profitable residential, rural and commercial classifications, with a relatively insignificant increase in low profit industrial sales.

"In addition to the good control of operating costs, earnings were greatly stimulated by a large gain in the number and volume of rate increases. Seventy-eight rate increases were granted during 1952, estimated to produce well over $77 million in additional revenues as compared with 44 allowed in 1951 to produce upwards of $33 million.

"A large proportion of the rate decisions did not become effective until after the middle of the year, so most of the impact on comparative earnings will continue to be felt well into 1953. In addition, at the year-end there were 18 cases still pending aggregating $31,300,000 and further important cases are under consideration or being prepared for presentation. So long as material costs and wages continue to remain relatively stable and some additional rate increases are granted, while residential and commercial sales continue to account for a large proportion of the expansion in volume of operations, the industry should be able to continue an upward trend in net income."

Pointing out that the industry is in the midst of a $4.2 billion construction program, up $500 millions from 1952, which includes the scheduled completion of many large and highly efficient generating units with low fuel consumption rates, the analysis finds that "since 1937, the average rate of fuel consumption for the industry has been reduced from 1.44 pounds of coal per kwh. to 1.09 pounds. Although these new plants may not fully displace much obsolete or high cost equipment they have an important influence in reducing average generating costs because the larger new units are designed primarily for continuous operation to carry base load.

"Furthermore, interconnections by modern power pools are becoming so extensive, with higher voltages and lower transmission losses, that the industry can reach further to use the most economical generating unit available for power interchange.

"Earnings already reported by some representative utilities for the first months of 1953 show an increase in net income well above the estimate of 9% for the year."

	Increase in Net Income for first two months of 1953 over last year
Middle South Utilities (3 months ended February)	12.6%
Consumers Power Co.	14.2%
Southern Indiana Gas & Electric	16.1%
Texas Utilities (3 months ended February)	16.2%
Southern Company	16.5%
Ohio Edison	19.1%
Public Service Co. of Indiana	20.0%
Gulf States Utilities	30.0%

SALES OF National Securities Series for the first three months ended March 31, 1953 were reported at $14,478,717, the largest quarter in the history of the company, according to figures released by E. Waln Hare, Vice-President, National Securities & Research Corp. These sales represent an increase of 26% over the first three months of 1952.

Mr. Hare added that it was gratifying to note that this record sales volume was obtained in spite of the general decline in the market over the past few months.

"It would seem apparent," he said, "that investors are more interested in buying long-term management than trying to outguess short-term market swings."

SHAREHOLDERS of Canadian Fund, Inc., holding their first annual meeting heard Hugh Bullock, President, report that in the 11-month period ending March 31 last the Fund had acquired over 16,000 shareholders and assets of approximately $25,000,000. "Although Canadian security markets, somewhat in sympathy with our own, have reflected uncertainty as to the world outlook," Mr. Bullock stated, "we continue firmly in the belief that carefully selected securities in the Canadian market will offer rich rewards to investors who are interested in a program for long-term growth."

SHAREHOLDERS OF Republic Investors Fund, Inc. voted today to change the name of the Fund to "Axe-Houghton Stock Fund, Inc."

The investment policy will remain unchanged, the primary investment objective being long-term capital growth.

During the three years in which the Fund has been under the management of E. W. Axe & Co., Inc. there has been a growth in the asset value of the shares of the Fund. The increase in the three years since March 15, 1950 when the Fund came under Axe

Monthly Magazine Starts In Mutual Fund Field

A new monthly magazine on mutual funds, "The Mutual Fund Journal," has made its first appearance in New York with the April issue. A magazine "for the consumer and the mutual fund investor," The Journal, in 32 pages, contains lively articles and thumbnail statistics about mutual funds and mutual fund investors.

Cover story for the first issue is, "Massachusetts Investors Trust—A Story in Conservative Growth." In addition, there is an article on the oil industry, a testimonial article from a professor, "Why I Bought Mutual Funds," and a Picture Parade on Bache's Fashion Show in New York.

The Journal has also begun to compile "Fund Averages" on a monthly basis from day-to-day offering prices. Included in the Composite Average are 30 leading mutual funds. Composite Average is separated into a Balanced Fund, Stock Fund and Specialty Fund Average.

Subscription price for one year (12 issues) is two dollars, and the editor and publisher, Richard B. Douglas, is guaranteeing a circulation of 7,000. Headquarters for The Mutual Fund Journal is Bradford, Pa.

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Management is 41.6%. This growth is adjusted to reflect capital gains distributed to shareholders.

A SOLUTION to the problem of making financial disclosure both interest-stimulating and readable has been found by Hugh W. Long and Company, national distributors of shares of Diversified Funds, Inc.

For the first time in the 17-year history of this company, its prospectus will be issued in separate editions, one devoted to each of its three separate offerings: Diversified Investment Fund, Diversified Growth Stock Fund, Diversified Common Stock Fund. Each edition, "contains a short, informal, plain-talk description of the individual fund, its objectives and holdings, and how it can fit into the investor's financial program." The informal discussion is keyed to the full prospectus by marginal references, and the full prospectus is physically attached.

SELECTED American Shares, Inc. reports that it has been a buyer, on balance, to the extent of over $400,000 of portfolio stocks in the period since the beginning of the latest Korean peace move.

At March 31 the fund's net assets totaled $26,388,565, compared with $23,441,827 at March 31, 1952. Number of outstanding shares and of shareholders stood at new highs at the latest quarter-end.

Five largest investments by industry were oil 10.9% of assets, electric equipment and television 9.9%, electric utility 9%, chemical and drug 6.7%, and aviation 6.3%. Common stocks accounted for 91.9% of assets, corporate bonds 0.8%, U. S. Governments and cash 7.3%.

During the quarter the company added the following stocks to its portfolio: Aluminum Co. of America 1,000 shares, Kansas City Southern 1,600, National City Bank (N. Y.) 2,000. Its entire holdings of B&O preferred, Celanese, Combustion Engineering-Superheater, and Rock Island [illegible] were eliminated.

PERSONAL PROGRESS

FRANK PACE, Jr., Secretary of the Army from 1950 to 1953, was elected a director Wednesday of Carriers and General Corp., a closed-end investment company under Calvin Bullock management, whose common stock is listed on the New York Stock Exchange.

Mr. Pace was Director of the Bureau of the Budget in 1949 and previously served in the Department of Justice and Post Office Department. During four years of World War II, he was an officer in the Army Air Forces.

CYRIL J. C. QUINN has been elected Vice-Chairman of the Board of Directors of Tri-Continental Corporation, the nation's largest diversified closed-end investment company, it was announced today. Mr. Quinn has been a director and member of the Executive Committee of Tri-Continental since 1933. He is a Director and Vice-President of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc., three mutual funds associated with Tri-Continental. Mr. Quinn has been a partner of J. & W. Seligman & Co., investment brokers, since 1930. He also is a director of The Cincinnati Milling Machine Co., The Maytag Company and Minneapolis-Honeywell Regulator Company.

Chemical Fund
Inc.

A Prospectus describing the Company and its shares, including the price and terms of offering, is available upon request.

F. EBERSTADT & CO. INC.
39 Broadway New York City

OPEN-END REPORTS

EATON & HOWARD Balanced Fund's 84th Quarterly Report, issued to over 19,000 shareholders, shows assets of $96,266,374, an increase of $2,220,480 during the first quarter of 1953. Shares outstanding on March 31, 1953, totaled 3,023,367 compared with 2,906,930 and value per share was $31.84 compared with $32.50 at the year end.

Sixty per cent of the Fund was invested in common stock at the end of March, 16% was in preferred stocks, 16% in corporate bonds, and 8% was held in cash, U. S. Government bonds and short-term notes. The larger common stock holdings by industries were oil (12.3%), power and light (11.7%), banking (5.3%), insurance (4.8%) and chemical (3.5%). Securities added to and eliminated from the Fund's portfolio during the first quarter of 1953 were:

Additions:

General Electric Credit Corp. Notes 10-9-53.
Alabama Power Company 3½s, 1972.
Eastern Gas & Fuel Assoc. 3½s, 1965.
Sinclair Oil Corp. conv. Sub. Debs. 3¼s, 1983.
Tennessee Gas Trans. Co. 1st P. L. 4⅛s, 1973.
Hooker Electrochemical Co. "E" $4.20 Cv. Pfd.
Ohio Edison Company 4.44% Pfd.
Aetna Life Insurance Company.
Reynolds (R. J.) Tobacco Co. Class B.
United Fruit Company.

Eliminations:

General Motors Accept. Corp. Notes, 3-17-53.
Northern Indiana Pub. Ser. 4.56% Cv. Pfd.
Southern California Gas 6%
Hooker Electrochemical Company

EATON & HOWARD Stock Fund 86th Quarterly Report to 4,500 shareholders shows assets of $17,960,673, an increase of $945,450 during the first quarter of 1953. Shares outstanding totaled 748,778 compared with 693,820 and asset value per share was $23.99 compared with $24.52 at the year end.

Ninety-two per cent of the Fund was invested in common stocks at the end of March, 1% was convertible preferred stock and 7% was in U. S. Government bonds and cash. The larger common stock holdings by industries were oil (13.5%), power and light (9.8%), insurance (9.1%), banking (6.5%) and chemical (6.1%). Securities added to and eliminated from the Fund's portfolio during the first quarter of 1953:

Additions:

Climax Molybdenum Company.
Life Insurance Co. of Virginia.
Niagara Hudson Power Corp.
U. S. Treasury Bills, June 19, 1953.

Eliminations:

Owens-Corning Fiberglas Corp.
Skelly Oil Company.

CLOSED-END NEWS

NET ASSET value at March 31, 1953 of National Shares Corp., a closed-end investment company managed by Dominick & Dominick, based on market quotations as of that date and after deducting the dividend of 15 cents per share payable April 15, was $34.73 per share on the 360,000 shares of capital stock outstanding. The net asset value on Dec. 31, 1952 was $35.56 per share.

The quarterly report issued to stockholders shows that on March 31, 1953 common stocks accounted for 79.4% of total net assets; preferred stocks accounted for 4.2%; bonds, 2.6%; and cash, receivables, etc. and U. S. Government Obligations, 13.8%.

Of the common stocks held on March 31, 1953, oil stocks accounted for 24.9% of net assets; public utilities, 11.1%; and electrical products 8.1%.

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Institutional Investors and the Auction Market for Equities

used to be attracted by a long bull market. While this is constructive in the sense that informed professional investors are likely to engage in less disturbing excesses of optimism and pessimism, we should observe that some of the side effects are not equally beneficial.

Historically we have relied upon the auction markets on our leading stock exchanges to provide a high degree of liquidity and shiftability to the securities of large, publicly owned enterprises. To work most efficiently and effectively, these exchanges should have many buyers and sellers, many active traders and speculators having ready access to bank credit. If all of these elements are present, we can count upon markets which are broad, elastic, continuous, and sensitive to changing economic developments. The emerging importance of institutional investors is not by any means wholly responsible for the fact that we do not have this kind of a stock market. Regulation, taxation, and restrictions on the use of credit, adopted for other good and sufficient reasons, have greatly reduced the activities and influence of traders and speculators.

Unless present trends are reversed, it is not unlikely that the market for common stocks will evolve as we have seen other markets develop. It is now many years since a true auction market existed for good quality corporate and government bonds. In recent years, the preferred stock market has become increasingly dominated by dealers and institutional investors, with a gradual atrophy of the auction market on the exchanges. It is almost inconceivable that the individual common stock investor will cease to be a factor in the market because active promotional work is being done in many areas to increase stock ownership. Nevertheless, he is likely to become of decreasing relative importance, and as a consequence the true auction market will function less effectively.

If it is reasonable to anticipate these developments, what are some of the implications for investors, security analysts, and corporate managements?

On balance, it would appear that the investor is not being injured by these trends. The small saver has good facilities for investment and greater liquidity through a mutual fund suited to his requirements. In this sense, the market as a whole may be losing a degree of liquidity although the small investor may be gaining in this respect. The large investor and the institutional holder, on the other hand, are less concerned with marketability and can operate in a dealer market as they are accustomed to doing with their bond and preferred stock holdings. The direct placement technique should become more common in the case of common stocks.

All of these trends appear very favorable for the security analyst because he thrives on dealing with the professional investor who is eager for ideas and information. Investment research should continue to grow as an effective selling device just as it has received increasing recognition during recent years.

In the case of corporate managements, good stockholder relations should receive even greater emphasis. We can all recognize the revolution which has taken place during the last two decades in the attitude toward giving out information to the advisers and representatives of important holders. Part of this change in attitude is, of course, the result of the heavy new capital requirements of business which have occasioned repeated trips to the securities markets. But more important has been the widespread recognition that stockholders are entitled to know about the company's plans and prospects, that the secrecy formerly surrounding many company activities was unnecessary, and finally that security analysts are not really at all difficult to get along with.

More Stable Stock Prices?

All of this leads up to the final question of whether common stock prices will tend to become more or less stable than in the past. The principal arguments are familiar but worth reviewing in this context.

In the first place, there are ample grounds for confidence that extreme price fluctuations, such as the dizzy heights of 1929 and the dismal depths of 1932, will be avoided. These groups of institutional investors are all obligated to give emphasis to current rates of return. It is not consistent with their major objectives to buy equities in large amounts if they yield appreciably less than bonds. These investors are not likely to subscribe to a "new era" philosophy which would encourage them to participate in bidding up prices far beyond reasonable valuations.

Similarly, in times of adversity, there ought to be some buying power available and in action. The volume of funds for investment should not be too drastically reduced. Trusteed pension funds and mutual savings banks would be virtually certain to have important sums to invest; no appreciable liquidation should come from personal trusts; and while intensified selling efforts would be necessary, investment trusts should be able to balance withdrawals in time. There is no important pressure on these institutional holders to sell during unfavorable periods. On the other hand, long range buying programs using the dollar-averaging techniques and formula plan investing should form the foundation for strong buying on balance.

We are also entitled to believe that a market increasingly influenced by institutional investors will react to good and bad news with moderation and restraint. In recent years this has certainly been true, with the range of price changes quite modest and gradual, especially in comparison with the drastic and at times unpredictable changes in the factors affecting corporate earning power. It would appear that eventually the markets for common stocks can be brought around to much more orderly affairs. Perhaps we shall reach the point where 25% or 35% declines are regarded as drastic instead of preparing to face a 50% or 60% slide under unfavorable conditions.

However, we should not confuse this concept of a narrower range of price fluctuations with a notion that stocks will not show substantial short and intermediate term price changes. In September, 1946 and again on the outbreak of the Korean War, we saw how the market could suffer a stiff jolt. We were reminded that institutional buying comes in slowly, does little to cushion sudden declines, and is a poor substitute for active traders making extensive use of bank credit in providing continuity to the market. We can turn to the long-term Government bond market for an extreme example of how in recent weeks there has been practically no continuity or breadth to a market lacking both active use of credit and a good volume of trading.

The other evidence that substantial price movements have not disappeared can be gathered from experience with individual groups. When a change takes place in the consensus of the appraisals of the institutional buyers, there can be a thorough price readjustment within a comparatively stable market. This is the old problem of fashions in investing and a form of mass hysteria about individual industries and companies which will doubtless continue with institutional investors as well as others except to the extent that security analysts provide the necessary antidotes.

The other important function of security analysts is to broaden the list of stocks in which institutional buying is important. A great deal has already been accomplished and new investment areas are constantly being added. This spreading out process means that a larger group of individual investors is being enabled to enter new ventures as they receive satisfactory prices from selling more seasoned equities to institutional buyers. This process of shifting, no matter how accomplished, will keep the stream of equity capital flowing freely in search of profitable outlets, which is, after all, the primary economic function of the securities markets.

With C. N. White

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—William A. Burgess, Jr. has become affiliated with C. N. White & Co., Central Bank Building. In the past he was with H. R. Baker & Co.

With R. A. Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Chris A. Morgensen is with Richard A. Harrison, 2200 16th Street.

Davies Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Earl S. Rowe is now affiliated with Davies & Co., 808 North Fulton Street.

Mutual Fund Assoc. Adds.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Joseph P. Simini has become connected with Mutual Fund Associates, 127 Montgomery Street.

Joins Anderson Cook

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Kenton D. Harmon has become connected with Anderson Cook Company, Inc., First National Bank Building. In the past he was with Weil, Roth & Irving Co., Cincinnati.

Goodbody Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Allan S. Kohn is now connected with Goodbody & Co., 218 Beach Drive, North.

With Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Albert O. Nelson has become associated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. He was previously with Shearson, Hammill & Co. and John B. Dunbar & Co.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edward H. Cooke, Jr. is now affiliated with Shearson, Hammill & Co., 9608 Santa Monica Boulevard. He was formerly with Walston, Hoffman & Goodwin.

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Continued from first page

"As We See It"

in perpetuity. We do not believe that wars, rumors of wars, or preparation for wars ever enrich peoples.

Consequences of Past Transgressions

At the same time we may as well face the fact that past wars (including Korea as one of them) and the way we have managed our affairs during them and during the New Deal years of depression, have created a set of conditions in this country which render us vulnerable to financial and related difficulties. Similar developments abroad tend to make the situation the more troublesome within our own borders. These being the facts of the case, we may expect to find certain readjustments (which could be painful while they last) to be necessary if and when we return to a much more exclusively civilian economy. This circumstance, taken together with the habit we have acquired of thinking in terms of a semi-socialistic philosophy of managed economy doctrines, has made it inevitable that a good many should even now be engaged in talking and planning what we should do to save ourselves when past events bring forth their implacable consequences.

Perhaps it is not strange, but certainly is not encouraging, to observe the degree in which the more articulate among us are turning to the same old New Deal remedies for depression which failed so miserably during the 'Thirties—not only failed so miserably but left us with economic "hangovers" which are even today at the root of some of our really serious difficulties. It is growing almost commonplace, for example, to hear it said—sometimes by observers who should know better—that we need not fear anything in the nature of a very serious depression in the foreseeable future regardless of defense policies, since, for one thing, we have a number of "built-in" anti-deflationary gadgets installed in our economy, and for another the Federal Government and the Federal Reserve System would in the case of threatened difficulty quickly unbalance the budget (as if it were not already unbalanced) and force an enlargement of the money supply through open market operations!

These latter are, of course, precisely the tactics of the New Deal when it was trying to bring the depression of the 'Thirties to an end—trying but failing most miserably. The monetary portion of these programs is, moreover, precisely what endless study and discussion among economists, various committees here and abroad, have left completely discredited. Even the so-called MacMillan Committee, of which the redoubtable Mr. Keynes (only later Lord Keynes) was a member, concluded that it was exceedingly doubtful whether central bank operations of the sort now suggested could be of avail when depression threatened. The so-called Douglas subcommittee in this country more recently interrogated numerous economists, many of them much inclined toward what is now termed "liberalism," on this subject, and with but rare exceptions found none who put much faith in this kind of credit and monetary manipulation. In the 'Thirties, it succeeded in building a large volume of relatively idle deposits—and a government bond market which still plagues us! Why should anyone expect different results now?

Losing Ground

When it comes to large government deficits financed with manufactured bank deposits—the more modern type of greenbacks—it must be admitted that the notion still has a following among the New Dealish economists (if economists they can be called), but, unless we miss our guess faith in such a procedure even among them has been losing its strength in recent years. And little wonder that its appeal is not wearing well! Reduced to essentials, the notion does not differ greatly from the schemes of John Law, or from many experiments (if such they may be called) with fiat currency. If we wish to avoid a chronic hazard of depressions or worse, one of the things we must bring ourselves to avoid is this business of trying to lift ourselves out of trouble by our own bootstraps.

The notion that social security payments, so-called, farm support programs, and various other items of a related nature, can act to prevent depression, or do anything at all for us except possibly temporarily reduce pressure and postpone the basic adjustments necessary for real recovery is likewise one which we should be wise to divest ourselves of without delay. There are a good many who still have not got it through their heads that there is not somewhere hidden in Washington a vast store of "money" which can be distributed at will to those who have claims under old age pension systems and unemployment plans. The fact of the matter, of course, is that any funds paid out to beneficiaries in any of these or related schemes must either be coined, as it were, by inflationary bank operations, or taken from the pockets of someone else. The source of funds for this purpose is, and aways must be, the credit and the taxing power of the Federal Government—and nothing else.

Return to the Faith!

What then can be done to save ourselves? Must we remain idle, a victim of a sort of oriental fatalism, accepting what comes our way? These are legitimate questions. There is, however, nothing about them that is formidable in any way. Answers are readily at hand. In a nutshell they may be reduced to this: Return to the ways of the founding fathers—the American system—without delay or reservation.

Continued from first page

Investing in 1953-54

wave of speculative enthusiasm that is pretty apt to develop in cyclical stocks and secondary issues between now and the time the expected business readjustment gets under way with appreciable force; and

(2) Centering our attentions on those areas of the economy where the volume of business promises to be so well sustained that current profit margins will be secure and dividends maintained or increased.

Because we feel the international situation is by far the most important influence bearing on investments in the critical years of 1953 and 1954, we are prepared to readjust our viewpoint to meet the three alternate courses of events that may develop in the international sphere.

The first would be a most welcome trend towards a rapprochement in world affairs which we unfortunately feel will be an unlikely development in this two-year period. However, it is possible that a world conference may be attended before too long by both President Eisenhower and Malenkov which may prompt investors to jump to the surmise that defense expenditures are due for a sharp cut. Our feeling that nothing more than temporary puzzlement will come out of such a conference rests on the fact that, since Russia violated all of the pledges she made at Yalta, it is hard to see how we can predicate any letup in our efforts to build up world defense on any assurances she might choose to offer at some new conference that might be held in the next 18 months. If a real basis of accord can be developed we feel the favorable longer range implications will be the dominant investment influence and that it would mean a decidedly higher investment market in spite of any temporary deflationary influences. We are bullish on peace, but we just don't think it is likely before the end of 1954.

We feel that an all-out shooting war is unlikely since Russia is pretty obviously trying to absorb the European economy intact, if that is possible. If we are wrong on this point it is pretty certain that we will have failed to anticipate a real market crash, but we believe that we would be making the best out of such a catastrophe by shifting into armament stocks and inflation hedge securities because World War III would:

(1) Absorb a far greater share of our economy than did World War II; and

(2) Unleash inflationary forces that would be of a far greater magnitude.

World developments could take a third course that would be nearly as unfortunate as the outbreak of World War III itself. That would be the collapse of our international defense plans and hinge on the success of NATO. This point will be more fully considered under the topic, "Foreign Trade."

Orientation

Before considering where the stock market is likely to go, it is well to consider where it is in relation to our present economic conditions. My first diagram correlates the postwar period with the prewar years of 1935-39 and compares:

(1) The Federal Reserve Index which is the best available measure of the volume of industrial production. This Index has risen from an average of 100 in the prewar years 1935-39 to over 230 at the close of 1952 and measures accurately the increase that has occurred in production;

(2) The value of the Gross National Product which is the Department of Commerce estimate of the dollar value of all of the goods and services produced each year. This value, which rose from a level of $82 billion in 1936 to $346 billion in 1952, reflects the pressures of inflation as well as the increase in goods that have been produced. The gap between these two indicators is about the best single measure of the inflation that has occurred;

(3) The value of all stocks listed on the New York Stock Exchange, which represents a very large portion of all of the corporate facilities and earning power in the country. This has risen from an average level of about $44 billion in the prewar period 1935-39 to $120 billion at the end of 1952.

Diagram I shows very clearly that since the prewar period the advance in the price of stocks has pretty well paralleled the increase in the physical volume of goods produced (the FRB Index) and that it has very wisely ignored the postwar inflationary pressures. This is, of course, due in large measure to the very heavy rates of taxation which have characterized the postwar period, but it still remains a primary investment fact that the price of stocks reflects little of the inflation, a fact that has allowed the market to ignore the decline that has occurred in commodity prices over the past year—particularly farm prices.

Another significant comparison is a correlation of the total value of all stocks listed on the New York Stock Exchange with the annual rate of our personal savings since it shows very clearly that the volume of available savings has risen far faster than the over-all value of the shares listed on the New York Stock Exchange.

In the prewar years 1935-39 the average value of all listed stocks on the New York Stock Exchange was $44 billion, a sum about 16 times as great as the nation's personal savings of about $2¾ billion. By 1952 the value of the stocks had risen to $120 billion where they amounted to only about six times the personal savings made last year estimated at $18 billion. This relationship clearly indicates that if either the plant construction or the home building booms should slacken, the volume of savings seeking employment will provide a real investment cushion.

Diagram II correlates the prices and earnings of the Standard and Poor's Industrial Stock Average from 1926 to date and shows that except in periods dominated by psychology, the market price has followed the course of earning power. The three exceptional periods were:

(1) The New Era boom of 1926-29 when the Average moved up $180 on the basis of a $3 gain in earnings;

(2) The war period when the market advanced in anticipation of a victorious peace while the war earnings remained frozen by controls and taxes; and

(3) The postwar years 1946-49 when investors were so sure that we would have a postwar depression they ignored the record-breaking business that was being done and the earnings that were being won.

In the spring of 1950 when I addressed this forum, we were heading into a record-breaking year in the production of both automobiles and homes that guaranteed us a record-breaking year as far as profits were concerned. A glance at Diagram II shows very clearly that the market value of stocks was far behind the rate of earning power and, unless there was to be a nearby depression, the direction of the market was almost sure to be up.

In addition to the assurance given by the relationship of the market to earnings, the available

DIAGRAM I

INDUSTRIAL PRODUCTION, GROSS NATIONAL PRODUCT AND MARKET VALUE OF ALL LISTED STOCKS

INDEX 1935-39=100 — GROSS NATIONAL PRODUCT — 1946-1950 AVERAGE = 284 — INDUSTRIAL PRODUCTION — 1946-50 AVERAGE=185 — 1946-50 AV.=158 — MARKET VALUE OF LISTED STOCKS

SOURCES: Industrial Production F.R.B. Index, Physical Volume, Gross National Product (Dollars), Dept. of Commerce. Market Value of Stocks, N.Y.S.E.

1936 1937 1938 1939 1940 1941 1942 1943 1944 1945 1946 1947 1948 1949 1950 1951 1952 1953 1954

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dividend yields pretty well guaranteed the market would go higher. In the years 1935-39 the interest obtainable on a triple A bond average 3.1% as compared to an average dividend yield of 5.1% for the 50 Industrial Stock Index. This 2% spread is about the historic norm between the highest grade stocks and bonds since it reflects the inherently greater investment risks taken by stockholders.

When this spread rose to 4% in the postwar period it provided a very compelling reason for giving investment preference to investment stocks yielding 6.75% as compared to triple A bonds whose yields had shrunk to 2.75%.

The broad market advance since my last appearance has cut dividend yields back to a 5.5% level, while bond yields are back to 3.1%. Since the new Administration has turned its back on the Fair Deal cheap money policies and apparently plans to use money rates to curb inflation, the interest rate on triple A bonds points higher. This prospect is confirmed by the rising trend in the rates of interest carried by various double A issues which have been marketed since the first of the year.

Therefore, as I appear before you in 1953, the market position is not buttressed by either an unusually low price-times earnings ratio or by extraordinarily favorable dividend yields, nor is the outlook for continuing record-breaking business nearly so clear. On my last appearance I advised buying the market for it was pretty certain that almost all investment leaders would participate in an advance that promised to be pronounced. In the spring of 1953 I must advise the adoption of a highly selective but nevertheless positive investment program.

Profit Margins

We feel that the business correction we are expecting will be cushioned by the continuation of:

(1) Rearmament spending at a rate never experienced before except in wartime; and

(2) Consumer income at a very high level since it will be buttressed by unemployment insurance payments, old-age benefits and the unusually high rate of personal savings over the past 14 years.

These considerations focus our attention on the profit margin angle rather than upon any concern that the general level of business will fall to a very depressed state. In a recent issue, "Business Week," shows this to be very timely advice since its review of 34 of the first companies to report for 1952 shows that their profit margins on sales before taxes have been considerably reduced. These companies reported an average pre-tax profit margin of:

(1) 11.6% for the postwar years 1946-49;

(2) 13.75% for the Korean boom years of 1950-51; and

(3) Only 9% for 1952.

Therefore, we feel that even if the level of business will be well maintained as compared to our previous experience in periods of business readjustment, a positive investment policy will only yield profits if it focusses upon companies which have a very good chance of maintaining their profit margins as well as their volume.

Industrial Background

A review of the status of six major lines of industry as they enter the spring of 1953 confirms our expectation that as supplies overtake demand we can expect a business readjustment. The industries reviewed are:

(1) The **textiles** which pretty well dominate the soft goods lines and are often the forerunner of other lines of industry. When the trade woke up to the extent of the over-buying that had taken place in 1951, it retrenched at every level with the result that prices were slashed and production was cut back drastically last spring. Even though production picked up in the fall, prices did not improve so that the profit results have remained so disappointing that textile managements have

(a) Practically no expansion plans in the mill; and

(b) Drastically cut back on the modernization expenditures which were so impressive during the past 6 years;

(2) The **farm equipment industry** which has enjoyed an uninterrupted boom for the past 12 years during a period of extraordinarily favorable farm prices and continuing labor shortages. Just as the inflation of farm prices far above their parity levels contributed to the tremendous demand for farm equipment over the past 3 years, we feel the break which has occurred will tend to discourage new orders for farm equipment and that this industry is a definite candidate for readjustment in 1953;

(3) The **consumers durable goods lines of which autos** are by far the most important. During the past 3 years we have added some 20 million cars to the population of our roads so that we now have more cars than roads. Nevertheless the motor industry is heading into a 6.7 million vehicle year which by fall should return competition to the dealer level of the motor industry. Because dealer profits have been so high in the postwar period they provide the auto manufacturers with a considerable cushion which other lines of consumers durable goods do not enjoy. Therefore, we expect competition to hit the profits of the appliance manufacturers this year and the motor manufacturers next year, and we feel that the spiral in instalment credit to above the $16 billion level pretty well assures this prospect because consumer buying of these lines definitely appears to have been borrowing from the future;

(4) The **housing industry** where there have been 7 million postwar homes built against the formation of about 4.5 million new families. This backlog of new homes, combined with the higher cost of financing, would seem to have reduced the pressure of the housing shortage to more normal proportions. After the critical phase of the housing pressures had passed, the World War I housing boom collapsed in the fact of a buyer's strike. This lasted until the housing trade delivered acceptable values and by 1923 a new housing boom was under way which gave the purchaser something like 50% more home for his money.

Many observers feel that another one million home year in 1953 will outrun this year's demand for homes at the presently inflated costs, and that another readjustment is not too far ahead of us. Anyone familiar with the poor and costly workmanship of the housing industry must have confidence in the longer range future since it is obvious that the cost of homes can again be significantly reduced by competition to a point that will open up a huge replacement market. However, it is doubtful that this transition can be made without a readjustment that will cut down on the cost of building materials and the excessive labor costs which are presently going into our new homes;

(5) The **chemical and ethical drug lines** which have such fine traditions of growth may also be in for a period of consolidation. Most of the $4 billion expansion program sponsored by these lines since Korea was in part based upon the tax privileges granted under the Certificates of Necessity and a majority of these drug plants went into production last year. This over-expansion resulted in drastic price cuts in the antibiotic lines and almost no new plant authorization for 1953. When the chemical plants go in production this year we feel that the prices of most heavy chemicals will become competitive enough to slow down the building of new plants for a reasonable period ahead; and

(6) The **capital goods lines** which have been so stimulated since Korea by the defense build-up and the expansion programs of the five industries already considered. The economics of these industries point to a slowing up in the demands for new plants and equipment, and the facilities needed for our defense program are approaching peak production. Therefore, it is not unreasonable to expect a sizable readjustment in the capital goods lines, particularly as the rate of plant expansion since V-J Day has been at an unprecedented level. Professor Slichter has estimated that our postwar expenditures for capital goods have equalled about 70% of the value of the nation's plants and equipment as they existed at the end of 1945. Of this 70% total about 40% has gone to maintenance and replacement deferred in the depressed 1930's and, by necessity, during World War II. The remaining 30% has been spent on new plant and the combined effect of these huge outlays has been that

(a) Our plants have never been in such efficient operating condition; and

(b) We have boosted our capacity to produce goods by about one-third, and unprecedented rate of growth in so short a period.

The Credit Angle

A tighter credit situation has been the harbinger of most business corrections so that it is important to note that:

(1) Private credit has doubled since the war which is an unusual rate of expansion in any 7-year period even if the total does not seem burdensome relative to the present value of the Gross National Product; and

(2) The new Administration has adopted the curbing of credit as their major weapon in combatting inflation.

It is our expectation that part of the expected readjustment in business will come from the liquidation of part of the

(1) Inventories held by business;

(2) Installment credits owed by consumers; and

(3) The funded debts contracted by both business and individuals to finance the expansion of plants and homes.

Rearmament

Since Korea our defense spending has risen from $12½ billion to a current level of about $55 billion where it can be expected to peak unless the hot war becomes a more general one. (See Diagram III.) In the field of material these expenditures include new facilities needed for production, the initial equipment needs of the troops and their replacement needs. It is generally conceded that the facilities program is nearly complete and, based upon World War II experience, it is entirely probable that the full flow of production is developing such an impressive volume of Navy and Ordnance hardware that cutbacks will be in order. This does not seem to hold true of items in the areas of electronics and aviation since:

(1) The production of these items are scheduled to expand; and

(2) They lose their combat usefulness through obsolescence very quickly.

It is our opinion that the facilities needs of the Defense Department have been pretty well met and that defense spending will be less—and considerably less if Secretary Wilson is as successful in developing efficiency as I hope he will be. Therefore, if defense spending moves to lower levels, significant quantities of steel and non-ferrous metals will be released at a time when competition will have returned to those industries.

Foreign Trade

Foreign trade has been a most important contribution to our postwar boom. Right after the war we bolstered foreign trade with our charity through UNRRA. This was followed by the Marshall Plan designed to restore the economies of the other members of the Free World—particularly the European countries. The Marshall Plan has accomplished its purpose and no longer has any real popular support in either Europe or the United States. We are now planning to continue our foreign aid at about the $7 billion level but, for the most part, it will go to rearmament assistance. Therefore, the outlook for world trade is interwoven with the prospects of the NATO armament effort. If the Germans and the French cannot cooperate in forming a real rather than a paper NATO army, it is hard to see how we can go on supplying the NATO with our funds for the equipment of divisions not yet in existence. Since the international trade of the Free World countries has been pump-primed by at least $5 billion a year of American largess, it is pretty obvious that world trade and the international structure of world commodities would experience a violent contraction if we were to shut off our aid suddenly incident to a diplomatic impasse. Not only would such a development intensify the extent of our domestic business readjustment, but it would have a profound psychological effect on both business and investment sentiment. It would mean that our leadership of the Free World had gone into eclipse and the Soviet would have scored their greatest victory in the cold war.

Technical Position of Market

Because the stock market is in such a technically strong position it is almost certain that it will not discount bad news in advance—particularly after the bad results of those investors who liquidated in the 1946 break which discounted a postwar depression that did not happen. The market's technical strength rests upon the fact that the rise since 1949 was based upon the informed buying of professional investors rather than speculative enthusiasm. Their buying has centered upon three main groups and it is highly unlikely that they will choose to liquidate their fundamental positions in:

(1) Research companies whose long-term record indicates that their secular growth is so great that prudent investors need have little concern with the temporary influences of the business cycle;

(2) Inflation hedge securities which they will choose to hold to give themselves a protection of their buying power, just as well-managed funds have always held a backlog of bonds in periods of good business as a protection against the effects of the business cycle; and

(3) Companies with stable earnings like the utilities that offer liberal dividend yields with a great deal of safety.

The Timing Factor

It is of great investment importance to realize that the timing of a change in investment program must coincide with the expected correction in business when, as and if it occurs. If the professional buyers hold their "blue chip" positions, this area of the market promises to remain firm and its very firmness may help to inspire public speculation in the investment areas that have not fully participated in its advance, like the cyclical industries and the secondary issues. In considering these groups, funds which have remained out of the market are apt to be tempted by:

(1) The low price-times-earn-

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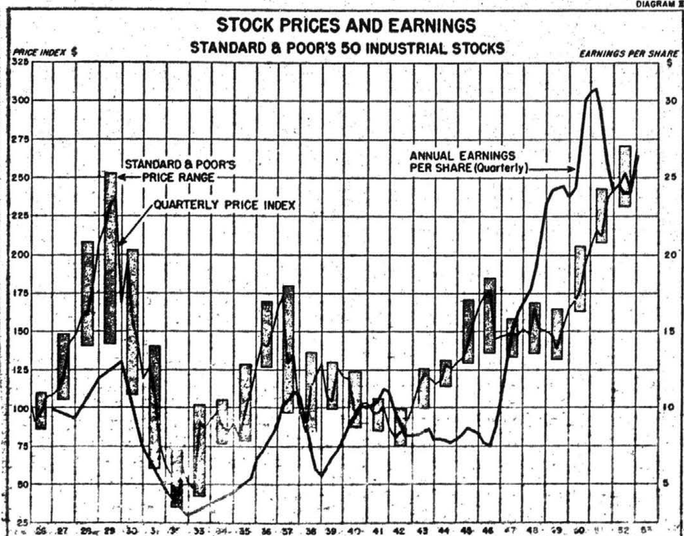

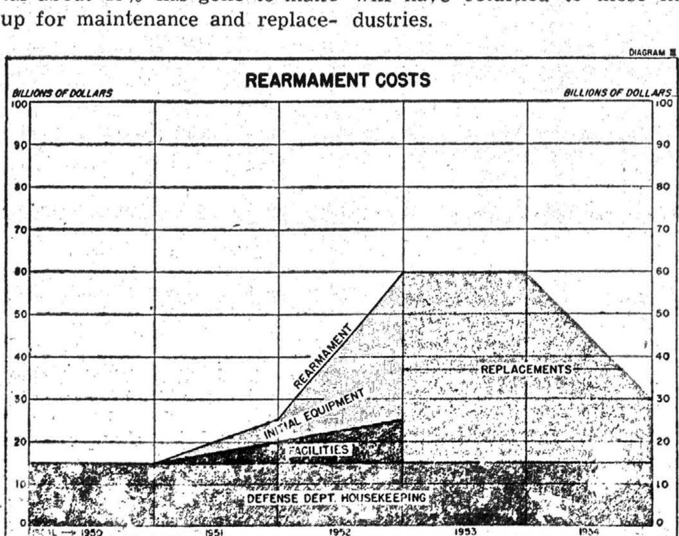

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Investing in 1953-54

ings ratios available in stocks which are nationally known; and

(2) Liberal dividend yields where the dividend pay-out is an unusually low fraction of earning power.

Since the election, the following cyclical groups have given an unusually favorable account of themselves — the autos, the automobile accessories, the steels and the rails. They are all operating at capacity levels and by early May and again in early August, they will report splendid earnings and continued capacity operations. If this continues into the summer all four groups may very well attract a public following that will support an impressive speculative movement. In fact, the rails appear ready to move forward this spring on the basis of the larger net earnings that are being won.

Chairman Reed of the House Ways and Means Committee is the most important single man in Congress as far as taxes are concerned. His strong stand makes it a great deal more likely that neither the Excess Profits Tax nor the emergency boost in personal income taxes will be extended beyond their expiration dates of June 30 and Dec. 31, respectively. If EPT were to lapse this summer, this would focus attention upon the research growth companies in the chemical field, and upon the aviation and electronic leaders. This would greatly broaden any market advance.

Therefore, while a prudent investor should prepare for some business adjustment with the return of competitive prices to major lines of industry, he should not ignore the speculative possibilities of the market this summer. Unless the speculative potentials of these groups are appraised, a vigorous speculation may very well stampede the present customers of over-cautious analysts into shifting to bullish advisors at the top of the market.

Limiting Factors

While it seems most likely that we may be approaching a business correction, it must be recognized that the most pessimistic forecasts do not expect the correction to run beyond 1954 and at the lowest point they expect industrial production to compare favorably with the 1947-49 levels.

Factors that promise to sustain the volume of production and ultimately to turn up the business cycle include:

(1) The general recognition by businessmen and investors that a recovery is quite likely so that they:

(a) Will not be shocked into skimping on modernization and replacement, and

(b) Will be inspired to upgrade their products.

(2) The prospect that national consumption will be sustained by the unprecedented volume of savings and the social security payments that will continue regardless of the course of business; and

(3) Technological developments which will assuredly create new products that are so appealing that they will create their own markets just as TV, antibiotics and the petrochemicals have done in recent years.

From the strictly investment point of view there are even more compelling reasons to expect that the extent of an investment decline will be limited since:

(1) The borrowing against securities is so negligible that the amount of the liquidation which could be forced will be insignificant;

(2) The buying has been well informed, professional and permanent in nature, in contrast to the uninformed margin purchases on tips in previous booms that resulted in equally uninformed selling during the next period of a business setback;

(3) The market has apparently done a pretty good job of correcting itself in the face of continuing strength on the part of the investment leaders;

(a) One-third of all stocks listed on the NYSE lost ground in 1951 and just before the election two-thirds of the stocks had lost ground in 1952.

(4) There is a current flow of about $2 million a day of permanent investment funds into the market — about half of which comes from the mutual investment trusts — supplemented by buying on the part of corporate pension funds, insurance companies and private trusts. The foreseeable expansion in pension fund buying should pretty well offset any reduction in the purchases by investment trusts should a period of business correction cut into the sale of their shares to the public; and

(5) Most important of all, real investors will be looking ahead and they will want to hold and build up backlog positions in growth stocks and inflation-hedge securities in a period of business correction.

Positive Investment Policy

With these factors promising to limit the extent of both the probable business correction and the possible decline in the market, it would seem clear that a positive policy of stock selection is in order rather than a negative policy of mere stock liquidation. There is every good reason to expect that a positive investment policy will pay off in 1953-1954 if the selections are made in stocks that do not appear to be faced with the prospects of:

(1) An abnormal collapse in sales over the two-year period ahead; or

(2) Sharply declining profit margins due to the return of competitive conditions.

With this in mind I am recommending the following industries for your consideration:

(1) **Banks and Insurance Companies** whose current earning power should rise with higher interest rates;

(2) **Cement and Glass**, where the increases in commercial and institutional buildings (which are great users of these materials) should offset the expected drop in plant and home construction. The huge road-building programs doubly reinforce the outlook of the cement industry.

(3) **California Oils** since there is a distinct shortage of crude in that market due to the tremendous growth in population. The same fundamental factors give Crown Zellerbach, the great West Coast paper company, the same preferred position;

(4) **Electric Utilities**, because of their splendid defensive record in the depression and the 1937-8 recession. To this group may be added the Natural Gas Utilities which are in the position to market their BTU's so much cheaper than either the coal or the oil industries;

(5) **Grocery Chains and Food Processors** which have been freed of OPS controls and whose sales volume has stood up so well in the past;

(6) **Transcontinental Railroads** whose traffic will gain from our stepped-up policies for the Pacific.

The following three industries are so heavily committed to the areas of rearmament that they will continue to expand during 1953 and 1954. They are in an extraordinarily favorable position and would be further benefited if the excess profits tax is allowed to expire.

(1) **Research Electronics** have three particular reasons for attracting investment attention at this time. They are:

(a) The fabulous controls that are being developed to operate airplanes at supersonic speeds and to control guided missiles;

(b) The possible industrial applications of these principles that are being developed for the military but whose commercial usefulness belongs to the individual companies; and

(c) The transistor which marks an enormous technological development that will open up entirely new fields to electronics and which will increase the efficiency of all present applications.

(2) **Growth Industries** which include such well-understood branches as the Air Lines and Light Metals and various industries in the pioneering stages of development, such as glass fibres, air conditioning and rare metals.

(3) **Aviation**, where the present schedules require a considerable step-up in production between now and the end of 1954 and where obsolescence assured the industry of a continuing demand into the indefinite future. In most investment literature, the writer divides the current rate of production into the known backlog and concludes that the industry has only that many months of business ahead of it. This point of view is probably entirely wrong and makes it possible to buy the stocks of the leading manufacturers at attractive investment values. Unless a world settlement can be reached our continued rearmament in the air is apt to direct investment attention to this group which will be making great scientific strides and continue to operate at capacity for years ahead. In another troubled period at the turn of the century a great investment prestige attached to the names of Vickers, Krupp and Schneider. The continuing need for rearming in the air should develop a similar investment prestige for the research leaders in this group.

Correlating our ideas on foreign developments with the business outlook ahead we feel that real investors will choose to disregard such speculative opportunities as may arise this year and will develop a positive investment policy around those industries where a continuing volume of business promises to protect the existing profit margins.

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Why Should We Fear Peace?

and what is bearish is socially bad.

I found when I first came to Wall Street many years ago that a commentator could be bullish and wrong and get away with it, and if he was bearish and right he would be in a tough spot to defend his position. I remember quite a few years ago one of the typewriter companies that was very arrogant in those days—it was one of the two leaders then before Royal took the play from them — the directors were very much annoyed when one of my friends said that at the next directors' meeting, the directors would probably cut the dividend. They demanded an apology, and some sort of half-hearted apology was made, but when the directors met they did cut the dividend.

So I say that when this first news of the Korean negotiations was published, and the market broke, the lay public wanted to know whether "it was true what they say about Wall Street"—that it is a cynical place where people wanted what was bad for the country.

What the Stock Ticker Reflects

Well, the stock ticker doesn't reflect human happiness, necessarily. It reflects the supply and demand of intangibles that are bought at the marketplace. If, as a result of a change in the news, there was some emotional acceleration to turn securities into cash, that had no significance in appraising the social benefits of the impending event, and wasn't intended for that purpose. It seems to me that we should keep that perfectly clear in our analysis.

On top of the situation created by the changes in the Russian setup, there are certainly other political factors that may cast shadows on the financial markets of the world. We did have an election here last Nov. 4, and we did end the 20-year hold on our Federal executive machinery of the New Deal and the Fair Deal, and we did go through the new experience of having a change, a political change at the top of a boom. The cynics had said that that couldn't happen, that we would have to have a bust before we could have political change.

A New Political Opportunity

Anyway, it did happen, and now we have an opportunity—whether our administrators will be wise enough to seize it remains to be seen—we now have an opportunity to deal with the problems of political readjustment on monetary and fiscal matters. We have an opportunity to correct the maladjustments through advance measures, and thus to mitigate the impact of any change in the situation.

While that may be bearish to those who didn't care whether the rise in equities took place because of inflation or because of merit in the investment situation, while that is a factor for the market to deal with and evaluate, it seems to me in the long run to be enormously potentially constructive, because it will give a solid foundation for our financial operation. It will give greater strength for meeting the conditions of transition.

What are the conditions of transition that we face, assuming for the moment that there is no change in the rearmament program as a result of the soft talk from the Kremlin in recent days and weeks? It was the objective of the Administration that went out of power to arrive at a peak of rearmament late in 1953. Then it was scheduled that in 1954 we would proceed at this peak level, but without giving the economy the benefit of the stimulus of perpetual increases in the rate of armament production, and that after 1954 we would actually taper off and reduce government buying for armament purposes. So that we were scheduling a transition, and in terms of management philosophy and management obligations that meant that all those corporations which were engaged largely or to any considerable extent in making war goods had an obligation to their stockholders, to their employees, and to the economy to accelerate research and accelerate product exploration and surveys into the market possibilities and into technics of selling, so that they would have a mode of procedure for attempting to absorb some of the manpower and tools released by a tapering off of war orders.

This reduction in defense spending has been the most advertised future event in our history, and any corporate management which is not aware of the problem, and any thoughtful investor who is not aware of the problem has been asleep at the switch.

My observation is that the things we know about in advance we can handle much better than the things that come as a bolt from the blue without warning, so that I think we are going through a continuous form of reorganization in the economy. We certainly went through a drastic readjustment last year in the meat-packing industry, and their depression may be behind them. I am inclined to think that it is. Certainly in the public utilities and the telephone companies, and all who are dependent on more or less fixed rates, their problems may be largely behind them, because they were suffering from the injustice of a fixed rate at the time costs were continuously rising.

Examine Situation, Industry by Industry

I think we have come to a stage in the economy where we have got to examine the situation industry by industry. I think we have to do it in a creative and constructive manner, lest we fall into the Soviet boobytrap, which is to cause us, through creating international uncertainty, to blow hot and cold on rearmament, and to confuse us by these zigzags in the home economy, so that the "defects of capitalism," as they say in their Marxian way, will cause a collapse in the United States, and that will be their moment of opportunity.

So I think that what we are judging now is more than a price movement, but the capacity of a free economy to survive under present world tensions and conditions. I think that for that reason we should face these problems with a greater sense of responsibility than if nothing more were involved than our own immediate financial interests, important as they may be.

Now, one of the possible motives of the new group in the Kremlin may be based on recognition that they lifted us in June, 1950 out of the possibility of some recession from the postwar boom. The visible effect in economic terms of Soviet cold war and aggression in Korea was to superimpose over here an armament boom on top of a civilian boom. The Communists may have felt, when they weighed all the factors, that they have delayed the glorious day that they were anticipating. You remember that they fired Vargas, the head of the Russian Institute of Economics, because in a new book he questioned the Marxian assumption that a bust was inevitable in the United States. He said that, because of certain factors, the downward readjustment might be delayed. Well, in Russia there isn't very much freedom of economic opinion. He was unfrocked and the Institute of Economics was shot from under him. But it could be that they now talk peace, at a time when they feel our economy is leaning on the crutch of government buying for armament purposes.

I think all of us, as investors, as speculators, as analysts, should be perfectly clear that corporate earnings based on nonrecurring, ephemeral phenomena such as a rapidly stepped-up armament program are not of the same quality or durability as earnings based on long-term, recurring orders from civilians which provide repeat business. I think that in all of our thinking and in all of our analysis we should be aware that an economy which is using up to 20% of its productive capacities for abnormal purposes of armament-making is in an artificial situation, and that a transition from that to a more normal situation would be exceedingly beneficial in the long run to our economy and also to our investors.

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Apr. 19	§96.7	*98.9	101.5	98.1
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 19	§2,180,000	*2,230,000	2,288,000	2,038,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 4	6,341,250	6,482,050	6,439,800	6,376,750
Crude runs to stills—daily average (bbls.)	Apr. 4	¶6,965,000	7,000,000	6,963,000	6,557,000
Gasoline output (bbls.)	Apr. 4	22,401,000	22,659,000	23,131,000	21,410,000
Kerosene output (bbls.)	Apr. 4	2,605,000	2,411,000	2,966,000	2,598,000
Distillate fuel oil output (bbls.)	Apr. 4	10,272,000	10,159,000	10,297,000	9,434,000
Residual fuel oil output (bbls.)	Apr. 4	8,593,000	8,863,000	9,035,000	8,865,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 4	162,249,000	162,878,000	159,434,000	158,431,000
Kerosene (bbls.) at	Apr. 4	18,760,000	18,417,000	19,843,000	16,533,000
Distillate fuel oil (bbls.) at	Apr. 4	59,723,000	59,757,000	65,476,000	48,827,000
Residual fuel oil (bbls.) at	Apr. 4	39,998,000	41,002,000	43,628,000	36,565,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 4	704,517	715,337	685,016	706,889
Revenue freight received from connections (no. of cars)	Apr. 4	661,649	669,172	672,031	657,845
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 9	$195,113,000	$342,036,000	$266,241,000	$228,502,000
Private construction	Apr. 9	101,479,000	158,480,000	103,156,000	87,549,000
Public construction	Apr. 9	93,634,000	183,556,000	163,085,000	140,953,000
State and municipal	Apr. 9	63,088,000	160,207,000	137,273,000	81,360,000
Federal	Apr. 9	30,546,000	23,349,000	25,812,000	59,593,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 4	7,070,000	*8,255,000	8,100,000	8,136,000
Pennsylvania anthracite (tons)	Apr. 4	311,000	325,000	583,000	571,000
Beehive coke (tons)	Apr. 4	113,300	*143,500	122,100	109,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Apr. 4	118	112	96	109
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 11	8,001,165	8,018,761	8,138,032	7,154,289
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 9	140	171	165	184
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 7	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Apr. 7	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Apr. 7	$43.92	$44.25	$44.08	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 8	30.425c	30.300c	29.175c	24.200c
Export refinery at	Apr. 8	34.200c	34.750c	33.425c	27.425c
Straits tin (New York) at	Apr. 8	111.500c	119.000c	121.500c	121.500c
Lead (New York) at	Apr. 8	13.000c	13.500c	13.000c	19.000c
Lead (St. Louis) at	Apr. 8	12.800c	13.300c	12.800c	18.800c
Zinc (East St. Louis) at	Apr. 8	11.000c	11.000c	11.000c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 14	93.65	94.48	94.78	97.59
Average corporate	Apr. 14	106.04	106.56	107.62	110.15
Aaa	Apr. 14	109.24	109.79	111.07	114.27
Aa	Apr. 14	107.98	108.70	109.97	112.93
A	Apr. 14	105.34	105.86	106.74	109.24
Baa	Apr. 14	101.97	102.30	103.13	104.31
Railroad Group	Apr. 14	104.31	104.66	105.34	107.27
Public Utilities Group	Apr. 14	105.52	106.21	107.44	109.60
Industrials Group	Apr. 14	108.52	109.06	110.34	113.50
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 14	2.96	2.89	2.87	2.66
Average corporate	Apr. 14	3.39	3.36	3.30	3.16
Aaa	Apr. 14	3.21	3.18	3.11	2.94
Aa	Apr. 14	3.28	3.24	3.17	3.01
A	Apr. 14	3.43	3.40	3.35	3.21
Baa	Apr. 14	3.63	3.61	3.56	3.49
Railroad Group	Apr. 14	3.49	3.47	3.43	3.32
Public Utilities Group	Apr. 14	3.42	3.38	3.31	3.19
Industrials Group	Apr. 14	3.25	3.22	3.15	2.98
MOODY'S COMMODITY INDEX	Apr. 14	413.9	413.0	424.2	435.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 4	364,392	231,803	369,535	271,607
Production (tons)	Apr. 4	251,974	247,441	251,232	201,244
Percentage of activity	Apr. 4	95	94	96	83
Unfilled orders (tons) at end of period	Apr. 4	567,535	455,688	544,346	447,663
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Apr. 10	106.96	107.20	107.75	109.75
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. 28	30,121	31,193	29,167	29,184
Number of shares	Mar. 28	879,588	908,548	869,737	834,611
Dollar value	Mar. 28	$39,530,066	$39,800,077	$38,182,423	$39,338,464
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 28	29,754	31,229	25,968	24,766
Customers' short sales	Mar. 28	237	156	199	152
Customers' other sales	Mar. 28	29,517	31,073	25,769	24,614
Number of shares—Total sales	Mar. 28	835,151	874,256	738,713	697,299
Customers' short sales	Mar. 28	6,742	5,221	7,325	4,593
Customers' other sales	Mar. 28	828,409	869,035	731,388	692,706
Dollar value	Mar. 28	$32,488,279	$34,205,705	$29,216,202	$31,192,645
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 28	281,920	285,870	208,110	181,280
Short sales	Mar. 28	------	------	------	------
Other sales	Mar. 28	281,920	285,870	208,110	181,280
Round-lot purchases by dealers—					
Number of shares	Mar. 28	308,160	302,240	343,190	342,130
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Mar. 21	332,590	343,160	257,720	217,440
Other sales	Mar. 21	9,567,570	8,497,950	6,658,330	6,807,840
Total sales	Mar. 21	9,900,160	8,841,110	6,916,050	7,025,280
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 21	925,920	888,750	658,070	702,320
Short sales	Mar. 21	165,480	171,890	129,900	117,680
Other sales	Mar. 21	787,890	717,890	510,560	582,350
Total sales	Mar. 21	953,370	889,780	640,460	700,030
Other transactions initiated on the floor—					
Total purchases	Mar. 21	316,760	211,920	152,460	165,410
Short sales	Mar. 21	12,000	10,800	21,000	8,100
Other sales	Mar. 21	302,230	197,260	136,640	220,280
Total sales	Mar. 21	314,230	208,060	157,640	228,380
Other transactions initiated off the floor—					
Total purchases	Mar. 21	351,025	296,585	225,881	249,198
Short sales	Mar. 21	69,170	81,970	34,020	44,400
Other sales	Mar. 21	367,795	358,605	327,750	294,255
Total sales	Mar. 21	436,965	440,575	361,770	338,655
Total round-lot transactions for account of members—					
Total purchases	Mar. 21	1,593,705	1,397,255	1,036,411	1,116,928
Short sales	Mar. 21	246,650	264,660	184,920	170,180
Other sales	Mar. 21	1,457,915	1,273,755	974,950	1,096,885
Total sales	Mar. 21	1,704,565	1,538,415	1,159,870	1,267,065
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 7	109.8	109.8	109.9	111.6
Farm products	Apr. 7	98.9	*98.3	98.4	107.4
Processed foods	Apr. 7	104.5	*104.6	105.4	107.9
Meats	Apr. 7	92.8	*93.0	95.9	110.9
All commodities other than farm and foods	Apr. 7	113.3	113.3	113.3	113.2

*Revised figure. ¶Includes 666,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of February:			
Total gas (M therms)	5,375,765	5,881,561	5,310,329
Natural gas sales (M therms)	5,006,808	5,505,746	4,931,182
Manufactured gas sales (M therms)	111,716	112,391	154,693
Mixed gas sales (M therms)	257,241	263,424	224,454
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of March	10,153,000	8,931,510	9,404,191
Shipments of steel products, including alloy and stainless (net tons)—Month of Feb.	6,533,227	7,067,656	6,358,293
AMERICAN ZINC INSTITUTE, INC.—Month of March:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	83,485	76,899	85,028
Shipments (tons of 2,000 pounds)	77,285	71,710	85,575
Stocks at end of period (tons)	99,864	93,664	26,004
Unfilled orders at end of period (tons)	54,524	37,172	66,620
COAL OUTPUT (BUREAU OF MINES)—Month of March:			
Bituminous coal and lignite (net tons)	36,060,000	33,920,000	*40,968,000
Pennsylvania anthracite (net tons)	2,252,000	2,365,000	3,093,000
Beehive coke (net tons)	550,000	*454,400	573,400
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of February:			
Cotton Seed—			
Received at mills (tons)	102,641	221,907	161,696
Crushed (tons)	551,203	655,312	530,248
Stocks (tons) Feb. 28	1,378,935	1,827,497	1,140,094
Crude Oil—			
Stocks (pounds) Feb. 28	170,039,000	*178,757,000	172,495,000
Produced (pounds)	180,193,000	211,130,000	172,478,000
Shipped (pounds)	183,844,000	*199,608,000	178,436,000
Refined Oil—			
Stocks (pounds) Feb. 28	705,022,000	627,573,000	383,410,000
Produced (pounds)	170,469,000	185,476,000	164,076,000
Consumption (pounds)	99,505,000	104,450,000	117,870,000
Cake and Meal—			
Stocks (tons) Feb. 28	209,754	*194,047	55,286
Produced (tons)	262,383	310,755	249,374
Shipped (tons)	246,676	*272,011	250,825
Hulls—			
Stocks (tons) Feb. 28	64,438	53,247	43,004
Produced (tons)	121,447	145,158	124,416
Shipped (tons)	110,256	140,780	121,578
Linters (running bales)—			
Stocks Feb. 28	274,517	289,672	235,057
Produced	173,912	207,425	171,417
Shipped	189,067	194,907	183,729
Hull Fiber (1,000-lb. bales)			
Stocks Feb. 28	1,544	1,642	1,471
Produced	768	1,637	1,044
Shipped	866	2,067	1,483
Motes, Grabbots, etc. (1,000 pounds)—			
Stock Feb. 28	12,834	12,620	8,070
Produced	3,170	4,031	3,313
Shipped	2,956	2,399	3,516
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM — 1947-49 Average = 100) Month of March:			
Adjusted for seasonal variations	113	*112	105
Without seasonal adjustment	103	*88	92
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of January:			
All manufacturing (production workers)	13,447,000	*13,529,000	12,766,000
Durable goods	7,819,000	*7,815,000	7,264,000
Nondurable goods	5,628,000	*5,714,000	5,502,000
Employment Indexes (1947-49 Avge. = 100)—			
All manufacturing	108.7	109.4	103.2
Payroll Indexes (1947-49 Average = 100)—			
All manufacturing	146.8	*249.2	130.4
Estimated number of employees in manufacturing industries—			
All manufacturing	16,649,000	*16,727,000	15,776,000
Durable goods	9,639,000	*9,628,000	8,946,000
Nondurable goods	7,010,000	*7,099,000	6,830,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSN.)—Month of Feb:			
Total number of vehicles	582,990	*565,137	435,216
Number of passenger cars	486,071	453,319	333,224
Number of motor trucks	96,729	*111,564	101,36[illegible]
Number of motor coaches	190	*254	625
PORTLAND CEMENT (BUREAU OF MINES)—Month of February:			
Production (barrels)	17,325,000	18,855,000	16,545,000
Shipments from mills (barrels)	14,155,000	13,520,000	14,362,000
Stocks (at end of month—barrels)	24,464,000	21,292,000	24,519,000
Capacity used	80%	79%	76%
RAILROAD EARNINGS—CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of February:			
Total operating revenues	$812,968,411	$863,001,072	$845,073,539
Total operating expenses	621,092,495	661,684,045	649,774,1[illegible]3
Operating ratio	76.40	76.67	76.3[illegible]
Taxes	$96,867,078	$102,918,275	$105,865,385
Net railway operating income before charges	77,799,924	80,074,947	75,951,623
Net income after charges (estimated)	57,000,000	58,000,000	51,000,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of March:			
Net sales	------	------	------
Net purchases	$12,913,900	$8,797,700	$485,200
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of February (000's omitted):			
Exports	$1,200,000	$1,275,000	$1,344,000
Imports	855,000	927,200	892,690
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Jan. 31	$264,536,057	$267,633,740	$258,124,087
General fund balance	6,908,220	6,023,767	6,840,071
Net debt	$257,627,837	$261,609,973	$251,284,016
Computed annual rate	2.385%	2.378%	2.314%
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of April 1, 1952:			
Winter wheat—Production (000's omitted)	714,154	------	1,052,801
Rye—Condition	82%	------	87%
ZINC OXIDE (BUREAU OF MINES)—Month of February:			
Production (short tons)	17,034	17,603	15,093
Shipments (short tons)	14,954	16,682	1[illegible]1[illegible]5
Stocks at end of month (short tons)	26,009	23,929	30,596

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Stabilization of Employment Is Good Management

1930's. Robert Rosa[2] studied 1,300 of them—small companies in financial distress which applied for emergency loans from the Federal Reserve Bank of New York. Rosa states that these companies had one great weakness in common — spotty management. The companies possessed one kind of management skill to a high degree, but were weak in other areas. One might have an excellent sales program, but be weak on production methods. Another might be strong in production, but have poor control over its finances. Companies with such spotty management had been able to survive, and even prosper, during good times. Spotty management was not sufficient, however, to carry the companies through the rigors of depression.

My own experiences of the past five years are in line with Rosa's findings. I have studied several companies in order to recommend changes that would result in stabilizing their operations. Always the story has been the same: the important changes needed are improved policies and procedures in production, sales, research, personnel, control, and finance; and the importance of these changes far outweighs the importance of measures aimed *directly* at stabilization.

If—as all this suggests—the best way to sail through a storm is to enter it with a sound ship, then we must remind ourselves that a sound ship is not built in a day. Certainly it is not easily built during a storm. It is built and made strong during the good weather which precedes the storm. The ships which are going to enter whatever economic storms the future may bring will be strong or weak, depending on what businessmen do now and in the good weather which is still ahead. Thus, it is very timely for this group to be considering employment stabilization today. It is more timely than it may have seemed to many of you. It is more timely by far than it will be for us to consider this same topic in this room in some future year after the bad weather has begun.

We have been thinking about what a company can do to prepare for general business recession. Consider now what a company can do to reduce seasonal and other short-run fluctuations in employment. Many workers find their jobs unsteady, even in good times. In an average month at the present time, 1.4% of workers in manufacturing are laid off for lack of work.[3] This percentage may sound insignificant, but it is equivalent to more than 200,000 cases of layoff a month in manufacturing alone.

Many books and articles on employment stabilization deal with special techniques that may be used to stabilize employment. It is customary to describe such techniques as production for stock, selling in off-seasons, transfer of employees, and dovetailing of products. My emphasis is different, for I believe that such an approach to the problem is too narrow. We should take a closer look at these techniques proposed for stabilizing employment:

(1) *Production for stock* can be undertaken safely only if the company has good inventory control, accurate sales forecasts, sound financing, and a durable product.

(2) *Selling in off-seasons* must be supported by an aggressive sales force, by sound pricing policies, and by effective advertising.

(3) *Transfer of employees* is feasible only if the company's employees are able and willing to perform jobs other than their regular ones.

(4) The development of new products for *dovetailing* purposes depends on an active research department.

A well-managed company will use these stabilization techniques, whenever appropriate, to reduce seasonal and other short-run fluctuations. A company will reduce fluctuations, however, not so much by concentrating on these special stabilization techniques as by improving its policies and procedures in production, sales, research, personnel, control, and finance. In short, the best stabilization technique of all is good management.

Personnel Management Contributes to Stabilization of Employment

In view of the fact that stabilization of employment involves all areas of management, I might discuss the contributions which can be made by the sales manager, by the production manager, or by the research director. Since you men work in the personnel field, however, I shall emphasize here the contribution that the personnel manager can make to stabilization of employment. It seems to me there are three ways in which the personnel manager can contribute to stabilization in his company:

(1) He can perform the regular personnel functions so that they make their greatest contribution to the efficiency of operations.

(2) He can use certain personnel techniques that contribute directly to stabilization of employment.

(3) He can spearhead a stabilization program in his company.

Regular Personnel Functions

Since a company can offer steady jobs only if it is in a good competitive position, personnel procedures that contribute to operating efficiency are contributing to employment stabilization. Employment, training, communications, employee benefits and services, and the other phases of personnel work all make a contribution to efficiency of operations and to the stability of employment that can exist only in a well-run company.

Stabilization Techniques

Several personnel procedures that can contribute directly to stability of employment deserve your consideration. The two procedures which I wish to discuss here are transfer of employees and communications.

Transfer of employees is the personnel procedure which has the most direct effect on stabilization of employment. In 1940, the National Industrial Conference Board reported on the stabilization programs of 203 companies.[4] Forty-nine percent of these companies used transfer of employees as a method of stabilizing employment. Experience has shown that, if a program of transfer is to be successful, the following conditions must be met:

(1) Employees must be versatile in the sense that they either have skills to perform several different jobs or have the ability to learn those skills easily.

(2) A thorough study should be made of the jobs in the factory to determine which ones are similar enough to make transfer of employees feasible.

(3) Employees must be willing to accept transfer and must cooperate in learning the new work.

(4) There must be a satisfactory training program for each job.

(5) Seniority provisions in union contracts have to be flexible enough to permit transfer from one job to another and from one department to another.

(6) A policy regarding pay for transferred employees must be worked out and accepted by the employees.

In spite of the difficulties to be overcome in working out a program of transfer, the efforts of many companies have been successful. Transfer of employees has played a large part in the successful stabilization programs of such companies as McCormick & Co. and Spiegel, Inc.

The communication of ideas between employees and managers is a second area of personnel work which can contribute directly to the success of a company's stabilization program. Employees must be kept informed regarding management's efforts to stabilize operations and regarding some of the difficulities involved in stabilization. If employees recognize the efforts management is making to provide steady jobs, they will be more willing to cooperate on matters like transfers and technological changes. Employees must recognize that they, as well as the managers, are responsible for achieving a stable operation.

Leadership in Stabilization

The personnel manager can contribute much toward stabilization of employment through regular personnel procedures and through special stabilization techniques. He can make his greatest contribution, however, by spearheading a drive within his company for the stabilization of sales, production, and employment.

Because he is involved in the layoff of workers, the personnel manager is often more conscious than anyone else in the company of the need for stabilizing the company's operations. He sees clearly how fluctuations in sales and production — often preventable ones—result in frequent layoff and rehiring of workers.

Each company has to develop a stabilization program to meet its own needs. Experience has shown that some one person in each company must enthusiastically and persistently sponsor the idea of stabilization if much progress is to be made. Top management must give its support, all departments must cooperate, but some one person is usually the driving force behind stabilization. It is possible for the personnel manager to be this person.

A personnel manager who is conscious of the need for greater stability can do several definite things to promote a stabilization program in his company:

(1) Point out the magnitude of the problem with facts about fluctuations in sales, production, and employment.

(2) Show what other companies have done to reduce fluctuations.

(3) Cooperate with others in developing a stabilization program for the company.

(4) Arrange meetings at which department heads can discuss the problems they encounter in stabilizing their operations.

(5) Evaluate the results of the stabilization program and report these results to top management and department heads.

Guaranteed Employment — A Result, Not a Cause

We turn now to the matter of guaranteed employment. The point I wish to make here is that a company can guarantee employment or wages only after it has been successful in stabilizing its sales and production. In 1945, after a study of annual wages, Ernest Dale of AMA concluded that "an annual wage plan can be best applied, when it is least needed; and when it is most needed, it can be least applied."[5]

I believe that unions and management would be putting the cart before the horse if a union demanded and management granted a guarantee of employment or wages before the operations of the company had been stabilized. No company has the resources to fulfill such a guarantee if its sales and production are unstable. In the cases of both Hormel and Procter & Gamble, management offered guarantees of work and wages to employees only after years of effort to stabilize operations.

In 1946, the National Industrial Conference Board studied 61 employment guarantee plans.[6] Thirty-two of these plans had been discontinued, two-thirds of them after less than five years of operation. These plans were discontinued for a variety of reasons—employee attitudes, wartime conditions, depression, and others. This experience shows that fulfilling an employment guarantee is difficult under the best conditions. The minimum requirement is a fair amount of stability in sales and production. Achieving a reasonable degree of stability comes first; the guarantee of employment comes later.

Summary

I have tried to make five major points:

(1) A company can do much to stabilize its employment.

(2) Steady jobs result from steady sales and production.

(3) Steady sales and production result, in turn, from good management in all phases of the business.

(4) The personnel department has an important contribution to make to the stabilization of employment.

(5) A company can guarantee employment only after it has been successful in stabilizing its sales and production.

Many companies have not made any serious efforts toward stabilization. The opportunities for improvement, therefore, are great. If a few companies succeed at stabilization, *they* will benefit. If many companies could succeed at this job, the entire economy might become more stable. The significance of employment stabilization goes beyond the particular companies involved, for steady jobs will go far toward keeping America sold on the free enterprise system.

If you are to have a stabilization program to benefit your company and our country during an hour of need, now is the time to start working on it.

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2 Rosa, Robert V. "Small Business and Depression," *Harvard Business Review*, *XXVI* (January, 1948), 58-62.

3 This figure is based on Bureau of Labor Statistics reports for the 60 months prior to October, 1952.

4 Brower, F. Beatrice. *Reducing Fluctuations in Employment; Experience in 31 Industries*. Studies in Personnel Policy No. 27. New York: National Industrial Conference Board, 1940.

5 Dale, Ernest. *Annual Wages and Employment Stabilization Techniques*. Research Report No. 8. New York: American Management Association, 1945, page 55.

6 Brower F. Beatrice. *Annual Wage and Employment Guarantee Plans*. Studies in Personnel Policy No. 76. New York: National Industrial Conference Board, 1946.

N. Y. S. E. Proposes New Commission Rates

G. Keith Funston, President of the Exchange, announces a new schedule recommended by a special committee, to be considered by the Board of Governors on May 21.

G. Keith Funston, President of the New York Stock Exchange, on April 10, announced that the Board of Governors has received a proposed new schedule of commission charges for the purchase or sale of listed stocks and that the proposals will be considered by the Board at the next policy meeting on May 21. In the meantime the proposed new rates are being sent to the membership to obtain their views.

G. Keith Funston

The new schedule was recommended by a Special Committee of nine members headed by David Scott Foster and appointed by Mr. Funston. The Committee has been studying the rate structure and commissions since June, 1952. Two members of the Committee dissented from the majority's conclusions.

The proposed schedule would reduce by as much as 50% commissions on all odd lot transactions (less than 100 shares) with a money value under $400. Commission reductions would also apply to some odd lot transactions involving up to $1,200. On all 100-share transactions involving less than $1,200, rates would be cut by as much as 16%.

Higher rates are called for on all other transactions, the amount of the increase depending upon the money value of the transaction. The schedule provides, however, for a declining rate on volume orders. The commission on 1,000 shares selling at $20, for example, would be lower than the present rate—and only 6.4 times the commission on 100 shares at $20, instead of 10 times. The Committee noted that this conforms to price structures of most other industries, recognizes the reduced cost factors on volume orders and, the Committee said, should improve the position of member firms in competing with others in the securities industry.

A one-week test of the proposed rates, conducted by 40 firms, showed an over-all increase in commissions, for both round and odd lots, ranging from 5.7% to 17.7% and averaging 12.6%. The average increase in round lot commissions was 10.7% and for odd lot commissions 19.6%.

The Committee recommended the following schedule for minimum commissions to be charged non-members of the Exchange:

"On stocks in which the unit of trading is 100 shares, commissions shall be based upon the amount of money involved in the executed portion of a single order for one stock on one day, and shall be not less than the rates hereinafter specified;

"On stocks selling at $1 per share and above, commissions shall be determined as follows:

One per cent on first $2,700 of money involved, plus
One-half per cent on amounts above $2,700, plus
$4 on each 100 shares, and
$2 on odd lots.

"Notwithstnding the above, when the money involved is less than $100, the commission shall be as mutually agreed; and in no case shall the minimum commission per 100 shares or for an odd lot exceed $65."

The majority of the Committee recommending the new schedule included David Scott Foster, Amyas Ames, C. Palmer Jaffray, Walter Maynard, Arthur K. Peck, Edgar Scott and Winthrop Smith. Dissenting members were Henry U. Harris and Homer A. Vilas.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Aberdeen Idaho Mining Co., Wallace, Idaho
March 30 (letter of notification) 100,000 shares of non-assessable common stock. **Price** — 15 cents per share. **Proceeds** — To develop mining claims. **Underwriter** — Wallace Brokerage Co., Wallace, Idaho.

● Agricultural Insurance Co.
March 25 filed 100,000 shares of capital stock (par $10) being offered for subscription by stockholders of record April 14 at the rate of one new share for each three shares held; rights to expire on April 29. **Price**—$30 per share. **Proceeds**—For general corporate purposes. **Office**—Watertown, N. Y. **Underwriter**—Blyth & Co., Inc., New York.

★ Airborne Flower & Freight Traffic, Inc. (Calif.)
April 8 (letter of notification) 21,000 shares of common stock. **Price** — At par ($5 per share). **Proceeds** — For working capital. **Underwriter**—J. Barth & Co., San Francisco, Calif.

★ Alabama Power Co. (5/12)
April 10 filed $18,000,000 first mortgage bonds due May 1, 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co.; Kuhn, Loeb & Co.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co., Inc. **Bids**—To be received up to 11 a.m. (EDT) on May 12 at office of Southern Services, Inc., 20 Pine St., New York 5, N. Y.

Aluminium Ltd. (4/24)
March 30 filed 818,657 shares of capital stock (no par) to be offered for subscription by stockholders of record on April 24 at rate of one new share for each 10 shares held; rights to expire on May 15. **Price**—Not to exceed $37.50 per share (Canadian) or alternately, at the option of each subscriber, the equivalent in U. S. dollars on the date on which the price is determined. **Proceeds**—For expansion program. **Dealer Managers** — The First Boston Corp. and White, Weld & Co. to head group in United States; and A. E. Ames & Co., Ltd. to head group in Canada.

American Reenforced Paper Co., Attleboro, Mass.
March 18 (letter of notification) 1,960 shares of common stock (par $5). **Price**—$15.25 per share. **Proceeds**—To P. T. Jackson, the selling stockholder. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

Arcturus Electronics, Inc., Newark, N. J.
March 27 (letter of notification) 40,000 shares of class A common stock (par one cent). **Price** — 50 cents per share. **Proceeds**—To Delbert E. Replogle, President. **Underwriter**—Gearhart & Otis, Inc., New York.

Arkansas-Missouri Power Co. (4/27)
April 6 filed 40,000 shares of 5½% cumulative preferred stock. **Price**—At par ($25 per share). **Proceeds**—To reimburse the company, in part, for property additions and improvements. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

Arkansas-Missouri Power Co.
April 6 filed 47,413 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 31 at the rate of one new share for each eight shares held. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter**—None, but soliciting dealers will be paid a commission.

Armstrong Rubber Co. (4/28)
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York.

Atomic Uranium Corp., Denver, Colo.
March 23 (letter of notification) 232,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration. **Office**—Interstate Trust Bldg., Denver, Colo. **Underwriter**—Luckhurst & Co., Inc., New York.

Avco Manufacturing Corp.
March 20 (letter of notification) 11,500 shares of common stock (par $3). **Price** — At market (approximately $8.50 per share). **Proceeds**—To Judson Sayre, who is the selling stockholder. **Underwriter**—None, but E. Lowitz & Co., New York, will act as broker.

Bearings Co. of America, Lancaster, Pa.
March 9 filed $600,000 of first mortgage 5½% convertible bonds due from 1954 to 1968, inclusive. **Price**—100% of principal amount. **Proceeds**—To retire $303,000 4½% convertible bonds and $74,250 of 4½% class A preferred stock and 5% class B preferred stock and for working capital. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

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.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters** — Dallas Rupe & Son, Dallas, Texas; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed.

C.I.T. Financial Corp., New York
April 2 filed 374,500 shares of common stock (no par) to be offered under "Restricted Stock Option Plan for Key Employees" to certain employees of the corporation and its subsidiaries.

★ California-Pacific Utilities Co.
April 15 filed 50,000 shares of cumulative convertible preferred stock. **Price**—At par ($20 per share). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—First California Co., Inc., Los Angeles, Calif.

California Tungsten Corp., Salt Lake City, Utah
March 30 (letter of notification) 1,999,000 shares of common stock. **Price**—15 cents per share. **Proceeds**—For working capital, etc. **Underwriter**—Tellier & Co., New York.

Carver Oil & Gas Co., Inc.
March 23 (letter of notification) 2,042,051 shares of common stock (par one cent). **Price**—12½ cents per share. **Proceeds**—For development of properties, etc. **Office**—c/o Ralph T. Masters, 163 Remsen St., Brooklyn, N. Y. **Underwriter**—Securities National Corp., Newark, N. J.

Central City Milling & Mining Corp.
March 4 (letter of notification) 1,800,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining operations. **Underwriter**—R. L. Hughes & Co., Denver, Colo.

Central Fibre Products Co., Inc., Quincy, Ill.
March 23 (letter of notification) 2,400 shares of common stock (par $5). **Price**—At market (approximately $39.50 per share). **Proceeds** — To E. Carey, Jr., and W. D. P. Carey, the two selling stockholders. **Underwriters**—Bosworth, Sullivan & Co., Denver, Colo.

Central and South West Corp.
March 6 filed 606,084 shares of common stock (par $5) being 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. **Price**—$20.50 per share. **Proceeds**—To purchase additional shares of common stock of its four principal subsidiaries, who in turn will use the funds to pay for property additions and improvements. **Underwriters** — Blyth & Co., Inc. and Smith, Barney & Co., both of New York.

★ Columbia Gas System, Inc. (5/12)
April 9 filed 1,700,000 shares of common stock (no par). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on May 12.

★ Computer Manufacturing Corp., N. Y. (4/27)
April 13 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—Principally for working capital and for general corporate purposes. **Underwriter** — R. V. Klein Co. New York.

● Consolidated Gas Co., Atlanta, Ga. (4/23)
March 27 filed 50,000 shares of common stock (par $5). **Price**—$8.50 per share. **Proceeds**—To repay bank loans, to retire $34,700 of debentures of Consolidated Gas Co. of Albany, and for working capital. **Underwriter**—Courts & Co., Atlanta, Ga., and New York, N. Y.

★ Continental Royalty Co., Dallas, Tex.
April 9 (letter of notification) 149,999 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—Room 740, Wilson Bldg., Dallas, Tex. **Underwriter**—None.

★ Copeland Refrigeration Corp., Sidney, Ohio (5/4)
April 14 filed 150,000 shares of common stock (par $1), of which 75,000 shares will be for account of company and the rest for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

Coronado Copper Mines Corp.
Jan. 23 (letter of notification) 299,970 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire leases, for exploration expenses, to repay loans and for working capital. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Charles J. Maggio, Inc., New York. Letter to be withdrawn.

★ Daniel Orifice Fitting Co., Los Angeles, Calif.
April 7 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For expansion. **Office**—3352 Union Pacific Ave., Los Angeles 23, Calif. **Underwriter**—None.

Detroit Edison Co. (4/28)
March 26 filed $40,000,000 of general and refunding mortgage bonds, series M, due May 1, 1988 (to carry interest at not to exceed 4%). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Coffin & Burr, Inc. and Spencer Trask & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on April 28.

● Detroit Stamping Co., Highland Park, Mich.
March 20 filed 120,000 shares of common stock (par $1). **Price** — $7.50 per share. **Proceeds** — To certain selling stockholders. **Underwriter**—White, Noble & Co., Grand Rapids, Mich.

Detroit Testing Laboratory, Inc., Detroit, Mich.
April 2 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital. **Underwriter**—S. R. Livingstone, Crouse & Co., Detroit, Mich.

★ Diamond Asphalt Co. (Utah)
April 8 (letter of notification) 95,000 shares of common stock (par 10 cents) and 9,500 shares of preferred stock (par $10) to be offered on basis of one share of preferred and 10 shares of common stock. **Price** — $10 per unit. **Proceeds**—For operating expenses. **Underwriter**—None.

● East Tennessee Natural Gas Co.
March 20 filed $2,144,520 of 5% convertible debentures due May 1, 1968 (convertible into common stock at rate of one share for each $10 of debentures), being offered for subscription by common stockholders of record April 10 at rate of $10 of debentures for each five shares of common stock held; rights expire April 27. **Price**—At principal amount. **Proceeds** — For property additions. **Underwriters** — White, Weld & Co., New York; F. S. Moseley & Co., Boston, Mass.; Equitable Securities Corp., Nashville, Tenn. and Elder & Co., Chattanooga, Tenn.

● Emerson Electric Manufacturing Co.
March 18 filed 37,230 shares of common stock (par $4) to be offered for subscription by stockholders of record April 16 at rate of one new share for each 12½ shares held (with an oversubscription privilege); rights to expire on May 1. **Price**—$14 per share. **Proceeds**—For general corporate purposes, including acquisition of certain assets of United States Electric Tool Co. **Underwriter**—None.

English Oil Co., Salt Lake City, Utah
Jan. 5 filed 3,435,583 shares of common stock, of which 750,000 shares are to be offered publicly, 250,000 shares are to be reserved for officers and key employees and options, and 2,435,583 shares in exchange for oil and gas properties and interests therein. **Price**—At par ($1 per share). **Proceeds**—For acquisition of additional properties and leases. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—No date set.

Fedders-Quigan Corp.
March 20 filed 41,338 shares of 5½% cumulative preferred stock, 1953 series, par $50 (convertible into common stock on or prior to May 1, 1953), being offered for subscription by common stockholders of record April 8, at rate of one preferred share for each 35 shares of common stock held (with an oversubscription privilege); rights to expire on April 23. **Price**—At par. **Proceeds**—For general corporate purposes. **Underwriter**—Allen & Co., New York.

● Federal Electric Products Co. (5/4-7)
March 31 filed 220,000 shares of common stock (par $1) and $2,000,000 of 6% subordinated income debentures due 1968 (with warrants attached to purchase an additional 120,000 shares at prices ranging from $7.50 to $17.50 per share. **Price**—For common stock, $7 per share; and for debentures, at 100% of principal amount. **Proceeds**—To repay loans. **Business**—Manufacture of devices for control of low voltage electrical energy. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

Flock Gas & Oil Corp., Ltd., Calgary, Can. (4/27)
March 19 filed 800,000 shares of common stock (par 20 cents). **Price**—$2 per share. **Proceeds**—For development of properties now held by it, for acquiring and holding reservations and leases or participating therein, for exploration and drilling expenses, etc. **Underwriter**—Peter Morgan & Co., New York.

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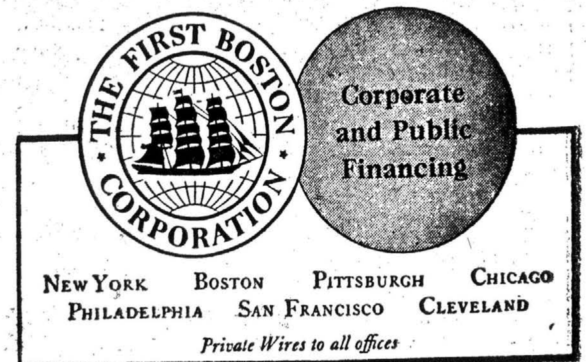

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★ Founders Mutual Depositor Corp., Denver, Colo.
April 13 filed 9,000 Systematic Payment Plan Certificates, 300 Accumulative Plan Certificates and 200 Income Plan Certificates. **Proceeds** — For investment. **Underwriter**—None.

Grand Bahama Co., Ltd., Nassau
Feb. 3 filed $1,350,000 20-year 6% first mortgage convertible debentures due March, 1973, and 1,565,000 shares of class A stock (par 10 cents). **Price**—Par for debentures and $1 per share for stock. **Proceeds** — For new construction. **Business** — Hotel and land development. **Underwriter**—Gearhart & Otis, Inc., New York.

Hilo Electric Light Co., Hilo, Hawaii
March 2 filed 25,000 shares of common stock being first offered to common stockholders of record March 10 at rate of one new share for each three shares held; then to employees; any unsubscribed shares to be offered to public. Subscription rights will expire on April 27. **Price** — At par ($20 per share). **Proceeds** — To repay bank loans. **Underwriter**—None.

★ I. C. M. Finance Corp., Wallace, Idaho
March 27 (letter of notification) $225,000 of 5% general obligation notes and 9,000 shares of common stock (par one cent) to be offered in units of $100 of notes and 400 shares of stock. **Price**—$83.20 per unit. **Proceeds**—For mining development. **Address** — Box 269, Wallace, Idaho. **Underwriter**—None.

Independent Plow, Inc., Neodesha, Kan.
Feb. 26 filed 100,000 shares of participating convertible class A stock (par $5), to be offered for subscription by common and preferred stockholders at rate of one share of class A stock for each 3¼ shares of preferred and/or common stock held. **Price** — $6.50 per share. **Proceeds**—To repay balance of RFC loan ($192,311); to redeem outstanding preferred stock ($86,341); and for working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Inspiration Lead Co., Inc., Wallace, Ida.
Jan. 26 (letter of notification) 2,000,000 shares of common stock. **Price**—15 cents per share. **Proceeds**—For mining expenses. **Office**—507 Bank St., Wallace, Ida. **Underwriter**—Mine Financing, Inc., Wallace, Ida.

• Inter-Mountain Telephone Co.
March 20 filed 142,500 shares of common stock-voting (par $10) being offered for subscription by common stockholders of record March 30 at rate of one new share for each three shares held. (Southern Bell Telephone & Telegraph Co. and Chesapeake & Potomac Telephone Co. of Virginia, own, respectively, 32.8% and 12.2% of the presently outstanding common stock of Inter-Mountain); rights expire about April 28. **Price**—$10 per share. **Proceeds**—To reduce short-term notes. **Underwriter**—For 78,336 shares—Courts & Co., Atlanta, Ga., and New York, N. Y.

Interstate Fire & Casualty Co., Bloomington, Ill.
March 26 filed 28,000 shares of capital stock (par $10) to be offered for subscription by stockholders of record April 1 at the rate of 1 3/11 shares for each share held. **Price**—$16.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Jewel Tea Co., Inc.
March 17 filed 141,757 shares of common stock (par $1) being 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**—$33.50 per share. **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.

• Long Island Lighting Co. (4/28-5/5)
April 6 filed 100,000 shares of cumulative preferred stock, series C (par $100). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—W. C. Langley & Co., Blyth & Co., Inc. and The First Boston Corp.

• Lorillard (P.) Co.
March 25 filed 356,573 shares of common stock (par $10) being offered for subscription by stockholders of record April 14 on basis of one new share for each seven shares held; rights to expire April 28. **Price**—$23.25 per share. **Proceeds**—To reduce bank loans. **Underwriters**—Lehman Brothers and Smith, Barney & Co., both of New York.

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**—To be received up to noon (EST) on April 21 at Two Rector Street, New York, N. Y.

★ Major Finance Corp., Silver Spring, Md.
April 9 (letter of notification) 10,700 shares of common stock (par $10) and 9,500 shares of 6% cumulative preferred stock (par $10), both to be offered first to stockholders. **Price**—To stockholders, at par for both issues; to public, $12 per share for common and $10 per share for preferred. **Proceeds**—For working capital. **Office**—7335 Eastern Ave., Silver Spring, Md. **Underwriter**—None.

★ Mansfield (Ohio) Tire & Rubber Co. (4/30)
April 10 filed 200,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To General Tire & Rubber Co. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill.

• Maremont Automotive Products, Inc. (4/23)
March 30 filed 230,000 shares of common stock (par $1), of which 20,000 shares are to be issued by the company and balance by certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Hallgarten & Co., New York; and Straus, Blosser & McDowell and McCormick & Co., both of Chicago, Ill.

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.

• Mechanical Handling Systems, Inc., Detroit, Mich. (4/20-23)
March 31 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To purchase common stock of The Louden Machinery Co. **Business**—Manufacture and sale of conveyors in industrial and commercial applications. **Underwriter**—Kidder, Peabody & Co., New York.

• Merrill Petroleums Ltd., Alberta, Canada (4/28)
March 31 filed 1,000,000 shares of common stock (par $1), of which 400,000 shares are to be offered in the United States and 600,000 shares in Canada. **Price**—To be supplied by amendment. **Proceeds**—For drilling and exploration activities. **Underwriters**—White, Weld & Co., New York; and Wood, Gundy & Co., Ltd., Toronto, Ont., Canada.

★ Metropolitan Edison Co., Reading, Pa. (5/19)
April 15 filed $8,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); White, Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co. and Drexel & Co (jointly); Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Blyth & Co., Inc. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on May 19.

NEW ISSUE CALENDAR

April 16, 1953
New York, New Haven & Hartford RR. ---- **Equip. Trust Ctfs.**
(Bids to be invited)

April 20, 1953
Mechanical Handling Systems, Inc. ---- **Common**
(Kidder, Peabody & Co.)
Radio Condenser Co. ---- **Common**
(Hemphill, Noyes & Co.)
Savannah Electric & Power Co. ---- **Preferred**
(The First Boston Corp.)

April 21, 1953
Blackstone Valley Gas & Electric Co. ---- **Bonds**
(Bids 11 a.m. EST)
Chicago, Burlington & Quincy RR. ---- **Equip. Trust Ctfs.**
(Bids noon CDT)
Louisiana Power & Light Co. ---- **Preferred**
(Bids noon EST)
New York Wire Cloth Co. ---- **Common**
(Alex. Brown & Sons)
Taylorcraft, Inc. ---- **Common**
(Graham & Co.)

April 22, 1953
Southern Pacific Co. ---- **Equip. Trust Ctfs.**
(Bids noon EST)
Union Wire Rope Corp. ---- **Common**
(Offering to stockholders—underwritten by P. W. Brooks & Co.)

April 23, 1953
Chicago Great Western Ry. ---- **Bonds**
(Bids to be invited)
Consolidated Gas Co. ---- **Common**
(Courts & Co.)
Maremont Automotive Products, Inc. ---- **Common**
(Hallgarten & Co.; Straus, Blosser & McDowell; and McCormick & Co.)
Shield Chemical Corp. ---- **Common**
(Peter W. Spiess & Co.)

April 24, 1953
Aluminium Ltd. ---- **Common**
(Probably First Boston Corp. and A. E. Ames & Co., Ltd.)

April 27, 1953
Arkansas-Missouri Power Co. ---- **Preferred**
(Edward D. Jones & Co.)
Computer Manufacturing Corp. ---- **Common**
(R. V. Klein Co.)
Flock Gas & Oil Corp., Ltd. ---- **Common**
(Peter Morgan & Co.)
Schlafly Nolan Oil Co., Inc. ---- **Common**
(L. H. Rothchild & Co.)
Southwestern States Telephone Co. ---- **Preferred**
(Central Republic Co., Inc.)

April 28, 1953
Armstrong Rubber Co. ---- **Debentures**
(Reynolds & Co.)
Detroit Edison Co. ---- **Bonds**
(Bids 11 a.m. EDT)
Long Island Lighting Co. ---- **Preferred**
(W. C. Langley & Co.; Blyth & Co., Inc.; and The First Boston Corp.)
Merrill Petroleums Ltd. ---- **Common**
(White, Weld & Co.; and Wood, Gundy & Co., Ltd)
Washington Gas Light Co. ---- **Common**
(Offering to stockholders—underwritten by The First Boston Corp. and Johnston, Lemon & Co.)
Wisconsin Public Service Corp. ---- **Preferred**
(Bids 10:30 a.m. CDT)

April 29, 1953
Mount Holly Water Co. ---- **Common**
(Offering to stockholders—no underwriting)

April 30, 1953
Central Foundry Co. ---- **Common**
(Offering to stockholders—underwriter to be named)
Jasco, Inc. ---- **Common**
(Bids 3 p.m. EDT)
Mansfield Tire & Rubber Co. ---- **Common**
(A. G. Becker & Co., Inc.)
National Ceramic Co. ---- **Common**
(Bids 2 p.m. EDT)
St. Anne's Oil Co. ---- **Common**
(Sills, Fairman & Co. and H. M. Byllesby & Co., Inc.)
St. Louis-San Francisco Ry. ---- **Equip. Trust Ctfs.**
(Bids noon EDT)

May 4, 1953
Copeland Refrigeration Corp. ---- **Common**
(Baker, Simonds & Co.)
Federal Electric Products Co. ---- **Debs. & Common**
(H. M. Byllesby & Co., Inc.)
Montana Power Co. ---- **Debentures**
(Bids 11:30 a.m. EDT)

May 5, 1953
Southern Bell Telephone & Telegraph Co. ---- **Debs.**
(Bids to be invited)
Tennessee Gas Transmission Co. ---- **Common**
(Stone & Webster Securities Corp. and White, Weld & Co.)
Union Tank Car Co. ---- **Debentures**
(Smith, Barney & Co.)
Wisconsin Public Service Corp. ---- **Bonds**
(Bids 10:30 a.m. CDT)

May 12, 1953
Alabama Power Co. ---- **Bonds**
(Bids 11 a.m. EDT)
Columbia Gas System, Inc. ---- **Common**
(Bids 11 a.m. EDT)
Lone Star Gas Co. ---- **Preferred**
(Offering to stockholders)
New Orleans Public Service Inc. ---- **Bonds**
(Bids noon EST)
Philadelphia Electric Co. ---- **Preferred**
(Bids to be invited)

May 13, 1953
Reading Co. ---- **Equip. Trust Ctfs.**
(Bids to be invited)

May 14, 1953
Menabi Exploration Co., Inc. ---- **Debentures**
(Kidder, Peabody & Co.)
Peruvian Oil Concessions Co., Inc. ---- **Common**
(B. G. Phillips & Co.)

May 15, 1953
Central Power & Light Co. ---- **Bonds**
(Bids to be invited)

May 18, 1953
Southern Natural Gas Co. ---- **Debentures**
(Bids to be invited)
Texas Power & Light Co. ---- **Bonds & Preferred**
(Bids 11:30 a.m. EDT)

May 19, 1953
Metropolitan Edison Co. ---- **Bonds**
(Bids 11 a.m. EDT)
Pacific Gas & Electric Co. ---- **Bonds**
(Bids 11 a.m. EDT)
Southern Natural Gas Co. ---- **Bonds**
(Bids to be invited)

May 25, 1953
Philadelphia Electric Co. ---- **Bonds**
(Bids to be invited)

May 26, 1953
Consolidated Natural Gas Co. ---- **Debentures**
(Bids 11:30 a.m. EDT)
Government Employees Corp. ---- **Common**
(Offering to stockholders—no underwriting)

June 2, 1953
Texas Utilities Co. ---- **Common**
(Bids to be invited)

June 4, 1953
General Public Utilities Corp. ---- **Common**
(Offering to stockholders—no underwriting)

June 9, 1953
American Gas & Electric Co. ---- **Common**
(Bids to be invited)
Gulf Power Co. ---- **Bonds**
(Bids 11 a.m. EDT)

June 23, 1953
New York Telephone Co. ---- **Bonds**
(Bids to be invited)
Pennsylvania Electric Co. ---- **Bonds**
(Bids 11 a.m. EDT)

Aug. 3, 1953
Denver & Rio Grande Western RR. ---- **Equip. Trust Ctfs.**
(Bids to be invited)

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Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

★ Mid American Oil & Gas Co., Chicago, Ill.
April 7 (letter of notification) 275,000 shares of common stock (par 10 cents). **Price**—At market (12 to 16 cents per share). **Underwriter**—Greenfield & Co., Inc., New York.

Mid-Gulf Oil & Refining Co.
Nov. 10 (letter of notification) 400,000 shares of common stock (par five cents). **Price**—60 cents per share. **Proceeds**—To acquire additional properties. **Office**—927-929 Market St., Wilmington, Del. **Underwriter**—W. C. Doebler Co., Jersey City, N. J.

Middle South Utilities, Inc.
March 20 filed 475,000 shares of common stock (no par) being offered for subscription by common stockholders of record April 8 at rate of one new share for each 14 shares held (with an oversubscription privilege); rights to expire April 28. **Price**—$23.25 per share. **Proceeds**—For investment in the common stocks of its System operating companies and to repay all or a portion of sums which have been borrowed for such investment. **Underwriter**—None.

★ Montana-Dakota Utilities Co.
April 15 filed 293,108 shares of common stock (par $5) to be offered for subscription by common stockholders on basis of one new share for each five shares held. **Price**—To be in relation to market price shortly before the offering. **Proceeds**—To repay $5,250,000 short-term loans and for new construction. **Underwriter**—Blyth & Co. Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Montana Power Co. (5/4)
April 2 filed $18,000,000 sinking fund debentures due 1978. **Proceeds**—To repay $12,000,000 bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Blyth & Co., Inc. and Lee Higginson Corp. (jointly); Lehman Brothers; Union Securities Corp. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on May 4.

★ Mount Holly (N. J.) Water Co. (4/29)
April 14 (letter of notification) 5,000 shares of common stock (no par) to be offered for subscription by common stockholders of record April 29 at rate of one new share for each share held (with an oversubscription privilege); rights to expire May 29. **Price**—$22 per share. **Proceeds**—To repay bank loans, etc. and for capital additions. **Underwriter**—None.

Mountain States Tel. & Tel. Co.
March 6 filed 390,931 shares of common stock being offered for subscription by common stockholders of record March 27 at rate of one new share for each four shares held; rights to expire April 29. American Telephone & Telegraph Co. (parent) now owns 1,351,203 shares (86.41%) of presently outstanding capital stock. **Price**—At par ($100 per share). **Proceeds**—For property additions and improvements. **Underwriter**—None.

National Marine Terminal, Inc., San Diego, Calif.
March 10 (letter of notification) 30,000 shares of 6% preferred stock. **Price**—At par ($10 per share). **Proceeds**—For general corporate purposes. **Office**—U. S. National Bank Bldg., San Diego 1, Calif. **Underwriter**—Wahler, White & Co., Kansas City, Mo., and associates.

● New Orleans Public Service Inc. (5/12)
March 12 filed $6,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Bids**—To be received up to noon (EST) on May 12, at Two Rector St., New York 6, N. Y.

New York Wire Cloth Co. (4/21)
April 6 (letter of notification) 11,300 shares of common stock (par $1) of which 4,668 shares are for account of company and 6,632 shares for account of selling stockholder. **Price**—$15 per share. **Proceeds**—To company, for working capital. **Underwriter** — Alex Brown & Sons, Baltimore, Md.

★ North American Peat Moss Co., Inc. (N. Y.)
April 10 filed 500,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — To purchase equipment and for working capital. **Underwriter**—R. A. Keppler & Co., Inc., New York.

Northlands Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20¢ — Canadian) and subscription warrants for 600,000 shares, of which the stock and subscription warrants for 400,000 shares are to be offered in units of 100 shares of stock and subscription warrants for 40 shares. **Price**—$52 per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York. Financing may be revised.

Oklahoma Gas & Electric Co.
March 19 filed 241,195 shares of common stock (par $10) to be offered for subscription by common stockholders of record April 16 at rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on May 5. **Price** — To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, 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.

★ Panhandle Oil Corp., Dallas, Tex.
April 9 (letter of notification) 3,875 shares of common stock (par $1), to be offered for subscription by employees under Stock Purchase Plan. **Price**—$6.50 per share. **Underwriter**—None.

Pennant Drilling Co., Inc., Denver, Colo.
March 23 (letter of notification) 42,507 shares of common stock (par $1). **Price**—$1.30 per share. **Proceeds**—To Morris Replin, the selling stockholder. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

● Peruvian Oil Concessions Co., Inc. (5/14-20)
Jan. 16 filed 9,000,000 shares of common stock (par $1) (expected to be amended about April 23 or 24 to 1,000,000 shares). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Business**—Plans to produce and sell petroleum and its products from lands to be held under concession from the Peruvian Government. **Underwriter**—B. G. Phillips & Co., New York, for 1,000,000 shares.

★ Philadelphia Electric Co. (5/12)
April 10 filed 150,000 shares of cumulative preferred stock (par $100). **Proceeds**—For new construction and to repay bank loans. **Underwriter**—May be determined by competitive bidding. Probable bidders: Morgan, Stanley & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); The First Boston Corp.; Union Securities Corp. **Bids**—Tentatively scheduled to be received on May 12.

★ Philadelphia Electric Co. (5/25)
April 10 filed $30,000,000 of first and refunding mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Drexel & Co. and Morgan Stanley & Co. (jointly); Kuhn, Loeb & Co. and Union Securities Corp. (jointly); White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received on May 25.

★ Philadelphia Electric Co. (6/2)
April 10 filed 100,000 shares of common stock (no par) to be offered for subscription by employees of company and its subsidiaries. **Price**—From 85% to 95% of the then current market price. **Proceeds**—For construction program. **Underwriter**—None.

★ Platte Oil Co., Inc., Rawlins, Wyo.
April 10 (letter of notification) 500,000 shares of capital stock. **Price**—10 cents per share. Proceeds—For oil and gas leases. **Address**—P. O. Box 242, Rawlins, Wyo. **Underwriter**—None.

Plume & Atwood Manufacturing Co., Waterbury, Conn.
April 2 (letter of notification) 13,500 shares of common stock (no par) to be offered for subscription by stockholders. **Price**—$16 per share. **Proceeds**—For plant expansion and equipment. **Office**—470 Bank St., Waterbury, Conn. **Underwriter**—None.

● Radio Condenser Co., Camden, N. J. (4/20)
March 31 (letter of notification) 27,000 shares of common stock (par $1). **Price**—$11 per share. **Proceeds**—From sale of stock (together with $1,500,000 from sale of 4½% serial notes due to May 1, 1968 to Provident Mutual Life Insurance Co. of Philadelphia), for expansion, retirement of $80,000 debt and for working capital. **Underwriter**—Hemphill, Noyes & Co., New York.

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.

● Savannah Electric & Power Co. (4/20)
April 1 filed 23,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To retire $700,000 of 5% cumulative preferred stock, $300,000 of bank loans and for new construction. **Underwriter**—The First Boston Corp., New York.

● Schlafly Nolan Oil Co., Inc., Mt. Vernon, Ill. (4/27)
March 25 filed 150,000 shares of common stock (par 25 cents). **Price**—$4 per share. **Proceeds**—To purchase and sell leaseholdes, royalties and producing properties, to prospect for oil and gas and to develop and operate producing properties. **Underwriter**—L. H. Rothchild & Co., New York.

Scil-Tone Corp., Plymouth, N. C.
March 27 (letter of notification) $150,000 of 6% contingent interest debentures due 1968 (convertible at any time at rate of 500 shares of common stock for each $1,000 debenture); and 150,000 shares of common stock (par $1). **Price**—At par or principal amount. **Proceeds**—To enlarge plant. **Underwriters**—McGinnis & Co., New York, and Stein Bros. & Boyce, Baltimore, Md.

★ Southern Bell Telephone & Telegraph Co. (5/5)
April 9 filed $30,000,000 of 24-year debentures due May 1, 1977. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on May 5.

● Southern Co.
March 13 filed 1,004,869 shares of common stock (par $5) 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**—$14 per share. **Proceeds**—To increase investments in subsidiaries. **Underwriter** — The First Boston Corp.

Southwestern States Telephone Co. (4/27)
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.

★ Taylorcraft, Inc., Conway, Pa. (4/21)
April 7 (letter of notification) 80,000 shares of common stock (par $1). **Price**—$1.75 per share. **Proceeds**—For working capital. **Underwriter** — Graham & Co., Pittsburgh, Pa.

★ Tennessee Gas Transmission Co. (5/5)
April 10 filed 1,000,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To purchase up to 375,000 shares of capital stock of American Republics Corp., constituting a 25% stock interest. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

Texas Oil Exploration Co., Ft. Worth, Tex.
Dec. 5 (letter of notification) 1,200,000 shares of common stock (par 10 cents). Price—25 cents per share. Proceeds—To drill oil and gas wells and for acquisition of properties. Underwriter—Peter W. Spiess Co., New York.

Texas-Oklahoma Oil & Gas, Inc.
March 27 (letter of notification) 1,200,000 shares of common stock (par 10 cents), of which 1,000,000 shares are to be offered by the company and 200,000 shares by Boland Wright Williams. **Price** — 25 cents per share. **Proceeds**—To develop properties. **Office**—1605 First National Bank Bldg., Dallas, Tex. **Underwriter**—None.

★ Texas Power & Light Co. (5/18)
April 13 filed $5,000,000 first mortgage bonds due 1983. **Proceeds**—To reduce bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Union Securities Corp.; Hemphill, Noyes & Co. and Drexel & Co. (jointly); White, Weld & Co.; Lehman Brothers; Salomon Bros. & Hutzler. **Bids**—Tentatively expected to be received up to 11:30 a.m. (EDT) on May 18.

★ Texas Power & Light Co. (5/18)
April 13 filed 70,000 shares of cumulative preferred stock (no par). **Proceeds**—To retire bank loans and for additions and improvements. **Underwriter** — May be determined by competitive bidding. Probable bidders: Union Securities Corp., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co.; The First Boston Corp; Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on May 18.

Texas Western Oil Co., Inc., Houston, Tex.
March 24 (letter of notification) 250,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To drill wells. **Office** — 116A City National Bank Bldg., Houston, Texas. **Underwriter** — Walter Aronheim, 82 Beaver St., New York.

★ Union Tank Car Co. (5/5)
April 15 filed $20,000,000 of sinking fund debentures to be dated April 15, 1953 and to mature April 15, 1973. **Price**—To be supplied by amendment. **Proceeds**—To retire $15,000,000 bank loans and for general corporate purposes including the construction of new tank cars. **Underwriter**—Smith, Barney & Co., New York.

● Union Wire Rope Corp. (4/22)
March 30 filed 100,000 shares of capital stock (par $5), of which 50,000 shares are to be offered for subscription by stockholders of record April 22 at rate of one new share for each 10 shares held (with an oversubscription privilege); 33,300 shares will be sold to one subscriber; and the remaining 16,700 shares to be offered publicly together with any unsubscribed shares. Subscription rights will expire on or about May 6. **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—P. W. Brooks & Co., Inc., New York.

United Minerals Corp., Salt Lake City, Utah
March 13 (letter of notification) 250,000 shares of 5% cumulative convertible preferred stock (par $1) being first offered to present stockholders during the period from March 28 to April 18 in 5,000 units, each unit to consist of 50 shares of this stock and 50 shares of common stock (par 10 cents) 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.

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.

Waltham Watch Co., Waltham, Mass.
March 17 (letter of notification) voting trust certificates representing 25,000 shares of common stock (par $1). **Price**—At market (about $2 per share). **Proceeds**—To Teviah and Gilbert Sachs, the two selling stockholders. **Office**—Crescent Street, Waltham, Mass. **Underwriter**—None.

● Washington Gas Light Co. (4/28)
April 8 filed 84,734 shares of common stock (no par) to be offered for subscription by common stockholders of record April 27 at rate of one new share for each 10

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shares held; rights to expire on May 14. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Expected in the Spring of 1953.

★ **Western Safflower Corp., Colorado Springs, Colo.**
April 9 (letter of notification) 240,000 shares of common stock (par 25 cents). **Price**—$1.25 per share. **Proceeds**—To construct plant. **Office**—First National Bank Bldg., Colorado Springs, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Wisconsin Public Service Corp. (4/28)
March 30 filed 30,000 shares of cumulative preferred stock (par $100). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Bids**—To be received up to 10:30 a.m. (CDT) on April 28.

Wisconsin Public Service Corp. (5/5)
March 30 filed $8,000,000 first mortgage bonds due May 1, 1983. **Proceeds**—To repay $6,300,000 bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Union Securities Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Harris, Hall & Co. (Inc.); Carl M. Loeb, Rhoades & Co. **Bids**—Scheduled to be received up to 10:30 a.m.(CDT) on May 5.

Prospective Offerings

★ **Allis-Chalmers Mfg. Co.**
April 7 it was announced stockholders on May 6 will vote on increasing authorized common stock from 3,750,000 shares (no par) to 5,000,000 shares (par $20). It is not presently planned to issue any of the additional stock. **Underwriter**—Previous financing was handled by Blyth & Co., Inc.

American Gas & Electric Co. (6/9)
April 6 it was announced company plans to issue and sell 800,000 additional shares of common stock (par $5). **Proceeds**—To be invested in operating subsidiaries. **Underwriters** — To be determined by competitive bidding. Probable bidders: First Boston Corp.; Union Securities Corp.; Blyth & Co., Inc., and Goldman, Sachs & Co. (jointly). **Registration**—Expected about middle of May. **Bids**—To be received early in June.

● **Arkansas Louisiana Gas Co.**
April 10 it was reported company has filed an application with Arkansas P. S. Commission for authority to issue and sell $35,000,000 of first mortgage bonds. **Proceeds**—To repay $25,000,000 bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Bids** — Expected to be received early in May.

Arkansas Power & Light Co.
Feb. 2 it was announced company may issue and sell, probably in June, 1953, about $18,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co., Blyth & Co. Inc., Equitable Securities Corp. and Central Republic Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

Arkansas Power & Light Co.
March 20 it was announced that company may consider refunding the outstanding 47,609 shares of $7 preferred stock (no par) and 45,891 shares of $6 preferred stock (no par), both called at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders. Blyth & Co., Inc, and Equitable Securities Corp. (jointly); W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

Atlantic Refining Co.
March 27 it was announced that proposed debenture issue later this year will be around $60,000,000. The exact nature and timing of the financing are still to be determined. Stockholders will vote May 5 on increasing authorized debt from $75,000,000 to $150,000,000. **Proceeds**—To be used to help pay for a $100,000,000 construction program for 1953. **Underwriters**—Smith, Barney & Co. may head group.

Central Foundry Co. (4/30)
March 16 directors voted to offer rights to present preferred and common stockholders to subscribe for additional common stock in the ratio of one share of common stock for each four shares of either common or preferred stock held. **Underwriter**—To be named later. Fred J. Young of F. J. Young & Co., New York is a director.

Central Hudson Gas & Electric Corp.
March 3 it was announced that some portion of the company's financing program for 1953-1954 will involve the sale of $16,550,000 new securities, a portion of which will involve common stock or debt securities convertible into common stock. Stockholders at the annual meeting March 24 voted to authorize an additional 1,000,000 shares of common stock. **Underwriters** — Kidder, Peabody & Co. and Estabrook & Co. handled offering in November, 1949, of $6,000,000 2% convertible debentures.

Central Illinois Public Service Co.
March 26 it was reported that the company may about mid-July sell about $6,000,000 additional common stock (first to common stockholders). **Underwriter**—The First Boston Corp., New York.

Central Louisiana Electric Co., Inc.
March 26 it was announced stockholders on April 16 will vote on authorizing a block of the authorized common stock for issuance and sale locally in the parishes in which the facilities of the company are located, such stock not to exceed $300,000 in aggregate market value. They will also vote on approving issuance of securities convertible into shares of any class of capital stock.

Central Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of 1st & gen. mtge. bonds sold March 10, 1953), after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

Central Power & Light Co. (5/15)
March 23 company filed an application with SEC for authority to issue $8,000,000 first mortgage bonds, series E, due May 1, 1983. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Harriman Ripley & Co. Inc., and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Bids**—Tentatively expected to be received on or about May 15.

● **Chicago, Burlington & Quincy RR. (4/21)**
Bids will be received by this company up to noon (CST) on April 21 for the purchase from it of $7,050,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Chicago Great Western Ry. (4/23)
March 17 company asked ICC permission to issue and sell $6,000,000 collateral trust bonds due 1978, to be secured by $9,000,000 4% first mortgage bonds due in 1988. **Proceeds**—To pay off $3,000,000 of notes and for working capital. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected about April 23.

Cincinnati Gas & Electric Co.
March 31 it was revealed the company plans to raise $35,000,000 through sale of new securities (mostly bonds). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly); Union Securities Corp.; Glore, Forgan & Co. and White, Weld & Co. (jointly); W. C. Langley & Co.; Lehman Brothers; Harriman Ripley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. Previous equity financing was underwritten by Morgan Stanley & Co. and W. E. Hutton & Co.

Cinerama Productions Corp.
Jan. 9 it was reported company plans issuance and sale of about 500,000 shares of common stock. **Price**—Expected to be around $10 per share. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Postponed.

● **Columbia Gas System, Inc.**
April 6 it was announced company plans to issue and sell later this year $40,000,000 of new debentures. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Commonwealth Edison Co.
March 10 company announced that in the next four years it expects to raise about $280,000,000 of new capital to help finance a $500,000,000 construction program during that period. No conclusion has been reached as to the type of securities to be issued or when they will be sold. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and American Securities Corp. (jointly); Glore, Forgan & Co.; The First Boston Corp. (Glore, Forgan & Co. and The First Boston Corp. underwrote an offering of convertible preferred stock to common stockholders last November.)

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.

Delaware Power & Light Co.
Feb. 24 it was announced stockholders on April 21 will vote on approving a proposal to increase the authorized preferred stock from 200,000 shares to 300,000 shares (par $100). Probable bidders for any new preferred stock financing may include Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. Stuart Cooper, President, said it is possible that common stock may be sold later in the year.

Delta Air Lines, Inc., Atlanta, Ga.
Feb. 11 company filed an application with SEC covering proposed issue of $10,695,846 of 5½% convertible debentures (subordinated) to be issued in exchange for Chicago & Southern Air Lines, Inc., common stock under merger plan at rate of $21 of debentures for each C. & S. share. Debentures will be convertible into Delta common stock at rate of one share for each $35 principal amount of debentures.

Denver & Rio Grande Western RR. (8/3)
Bids are expected to be received by the company on or about Aug. 3 for the purchase from it of $3,300,000 equipment trust certificates due semi-annually from Nov. 1, 1953, to May 1, 1968, inclusive, and on or about Oct. 1 of a like amount of said certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ **Derby Gas & Electric Corp.**
April 10 it was announced corporation plans to offer to its common stockholders the right to subscribe for an additional 50,000 shares of capital stock (prior to consummation of plan of merger of company and its subsidiaries). **Underwriter**—Allen & Co., New York.

★ **Detroit Brass & Malleable Works**
April 1 it was announced that stockholders were to vote April 15 on increasing capital stock (par $10) from 200,000 to 300,000 shares and on waiving their preemptive rights to subscribe to any additional shares. The additional shares may be sold at par for working capital, or used as stock dividends at the discretion of the directors.

Detroit Edison Co.
March 24 it was announced company plans to issue an unspecified amount of convertible debenures due 1963 (about $55,000,000 to carry an interest rate not exceeding 4%) which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 will vote on authorizing the new debentures. **Underwriter**—None.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly). **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 200,000 shares of preferred stock (probably in May) and $25,000,000 debentures. **Underwriters** — White, Weld & Co., N. Y.

★ **Foote Bros. Gear & Machine Corp.**
April 14 it was announced stockholders on May 4 will vote on authorizing a new issue of 100,000 shares of cumulative preferred stock (par $15). **Proceeds**—To retire presently outstanding 6,500 shares of convertible preferred stock (par $10) and for working capital. **Underwriter**—May be A. C. Allyn & Co., Inc., Chicago, Ill., who handled previous preferred stock financing in 1941.

General Public Utilities Corp. (6/4)
April 6, A. F. Tegen, President, announced that the company plans to offer about $16,000,000 of common stock (approximately 568,756 shares) to its stockholders about June 4 on a 1-for-15 basis. There are 8,531,329 shares (par $5) presently outstanding. **Proceeds**—For investments in subsidiaries. **Underwriter** — None. Merrill Lynch, Pierce, Fenner & Beane, New York, acted as clearing agent in previous stock offer.

Government Employees Corp., Washington, D. C.
March 18 stockholders authorized an issue of 3,000 shares of preferred stock (par $100) to carry a cumulative dividend rate not to exceed 6% annually. The management states that, under present plans, these shares will be issued as the growth of the corporation warrants.

Government Employees Corp. (5/26)
March 18 directors authorized an offering of 12,000 shares of common stock (par $5) to stockholders of record April 28 at rate of one new share for each five shares held (not taking into account 3,000 shares to be issued as a stock dividend on May 26); rights are to expire on June 24. Subscription warrants are to be issued on the latter date. **Price**—$15 per share.

Gulf Life Insurance Co., Jacksonville, Fla.
March 21 E. L. Phillips, Jr., President, and others sold about 150,000 shares of capital stock for a reported price of $17,400,000 to an investment banking group headed by Equitable Securities Corp. and R. S. Dickson & Co., who plan to offer a part thereof in two or three months.

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Gulf Power Co. (6/9)
Jan. 28 it was reported company plans issuance and sale of $7,000,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly); Union Securities Corp.; Equitable Securities Corp.; Lehman Brothers. **Registration**—Planned for May 8. **Bids**—Tentatively expected at 11 a.m. (EDT) on June 9.

● **Gulf States Utilities Co.**
March 26 it was announced company has filed an application with the FPC proposing the issuance of 781,042 shares of common stock (no par) to common stockholders as a stock distribution on the basis of one new share for each four shares held on or about May 8. [It had previously been erroneously reported that the new shares were to be offered for sale to stockholders.]

Helicopter Air Service, Inc., Chicago, Ill.
Feb. 9 it was reported company has applied to the CAB for a certificate of convenience covering service from Detroit to Cleveland, and also in Chicago, where the company is now operating a mail pick-up service in suburban towns. **Underwriter**—May be Cruttenden & Co., Chicago, Ill.

High Voltage Engineering Co., Cambridge, Mass.
Feb. 18 it was reported company plans early registration of $800,000 4%-6% convertible subordinate debentures due 1967 and 20,000 shares of common stock to be offered in units of a $1,000 debenture and 25 shares of common stock. **Price**—$1,000 per unit. **Business**—Company was organized in 1947 to design, develop and manufacture X-ray machines and other equipment. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York.

Jasco, Inc. (Del.) (4/30)
Bids will be received up to 3 p.m. (EDT) on April 30 for the purchase from the office of Alien Property, 346 Broadway, New York 13, N. Y., of its 50% ownership (5 shares) in this corporation. The other 50% interest is held by Standard Oil Development Co., a subsidiary of Standard Oil Co. (New Jersey).

Lone Star Gas Co. (5/12)
March 25 it was announced company plans to offer 183,300 shares of cumulative convertible preferred stock (par $100) for subscription by its common stockholders at rate of one share of preferred stock for each 30 shares of common stock held. **Proceeds**—To finance construction program. **Registration**—Expected to be filed about April 22 to become effective May 12.

Long Island Lighting Co.
March 24 it was announced that company this summer plans to issue and sell some additional common stock to be followed in November by an issue of first mortgage bonds (this is in addition to 100,000 shares of series C preferred stock, par $100, registered with the SEC on April 6). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — (1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co.
March 20 it was announced company may issue and sell in June $12,000,000 of first mortgage bonds. **Underwriters** — To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and A. C. Allyn & Co., Inc. (jointly); Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.

★ **Menabi Exploration Co., Inc., Houston, Tex. (5/14)**
April 8 it was announced company plans to issue and sell $1,000,000 of convertible debentures. **Proceeds**—To finance development of oil properties in Ecuador. **Underwriter**—Kidder, Peabody & Co., New York. **Meeting**—Stockholders on April 27 will vote on increasing authorized common stock by 500,000 shares.

Michigan-Wisconsin Pipe Line Co.
March 24 it was reported this company is considering permanent financing of its $20,000,000 bank loans which mature July 1, 1953. If competitive, bidders for bonds may include: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.; Harriman Ripley & Co., Inc.

Minneapolis-Honeywell Regulator Co.
March 11 it was announced stockholders will on April 28 vote on increasing authorized common stock from 3,440,000 to 3,950,000 shares and the preference stock from 160,000 to 210,000 shares. **Underwriter**—Probably Union Securities Corp., New York.

Mississippi Power & Light Co.
March 20, E. H. Dixon, President of Middle South Utilities, Inc., announced that refunding of Mississippi Power & Light Co.'s $6 preferred stock (no par), of which 44,476 shares are now outstanding, may be considered. This issue is callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and Equitable Securities Corp. (jointly; W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

Missouri Public Service Co.
March 31, F. J. Green, President, announced that company plans to issue and sell $1,500,000 of equity securities and about $3,500,000 of first mortgage bonds and serial debentures. **Proceeds**—To finance 1953 construction program. The latter may be placed privately.

Mobile Gas Service Corp.
March 6, Maurice White, President, announced that, after proposed two-for-one split-up to be voted upon April 24, the company will offer to its stockholders 40,000 shares of additional common stock on a one-for-five basis. **Proceeds** — For construction program. **Underwriters** — To be named later.

Monongahela Power Co.
Dec. 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co. and the First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

National Ceramic Co., Trenton, N. J. (4/30)
March 29 it was announced that sealed bids will be received on or before April 30 by Surrogate of Mercer County, at Trenton, N. J., for the purchase of a majority stock interest in this company. Bids will be opened by the court at 2 p.m. (EDT) on May 1.

New England Electric System
April 3, Irwin L. Moore, President, announced that the company is planning to offer to its common stockholders additional common stock on the basis of one new share for each 10 shares held (with an oversubscription privilege). **Proceeds**—For expansion program. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New Jersey Power & Light Co.
Feb. 11 it was announced company plans issue and sale of about $5,500,000 first mortgage bonds due 1983. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Union Securities Corp. and White Weld & Co. (jointly); The First Boston Corp. and Kidder, Peabody & Co. (jointly); Carl M. Loeb, Rhoades & Co.; Equitable Securities Corp.; Kuhn, Loeb & Co., Lehman Brothers and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Offering**—Probably in June.

New York, New Haven & Hartford RR. (4/16)
Bids will be received by the company on April 16 for the purchase from it of $3,300,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

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 F. 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. **Underwriters**—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).

Northern Pennsylvania Power Co.
April 6 it was reported company may issue later this year $1,500,000 of first mortgage bonds. **Proceeds**—For expansion program. **Offering**—May be placed privately.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-mile pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

Oklahoma Natural Gas Co.
Feb. 24 it was announced that the directors were considering authorizing an offering of a sufficient number of shares of new common stock (par $7.50) to raise $4,000,000. This would follow proposed stock split of present authorized 1,639,884 shares of $15 par value into 3,279,768 shares of $7.50 par value. Proceeds would be used for the company's construction program. Underwriters will be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Shields & Co.; Lehman Brothers and Harriman Ripley & Co., Inc. (jointly). **Offering**—Expected in June.

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.

Omaha National Bank, Omaha, Neb.
April 6 it was announced stockholders have approved an increase in authorized capitalization from $4,000,000 to $5,000,000, par $20 per share, in order to pave the way for an offering to stockholders of 20,000 new shares at $40 per share on a one-for-ten basis, following which a stock dividend of 30,000 shares will be paid on a basis of one new share for each 7⅓ shares held.

Pacific Gas & Electric Co. (5/19)
March 25 it was reported company plans to issue and sell $65,000,000 of first and refunding mortgage bonds, series V, due June 1, 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on May 19.

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 Petroleums, Ltd.**
April 1 it was reported that a secondary in this company's stock will be handled by Eastman, Dillon & Co., New York.

Pacific Telephone & Telegraph Co.
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares.

Pennsylvania Electric Co. (6/23)
April 1 it was reported company plans to issue and sell in June about $12,500,000 first mortgage bonds due 1983 and a like amount later on. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; The First Boston Corp.; Equitable Securities Corp. **Bids**—Tentatively set for 11 a.m. (EDT) on June 23. **Registration**—Expected on May 12.

Permian Basin Pipeline Co., Chicago, Ill.
Feb. 4 company filed an amended application with FPC for authority to construct a 163-mile pipeline system at an estimated cost of $40,269,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York. Of the stock of this company, 51% is now owned by Northern Natural Gas Co.

Pittston Co.
April 7 it was announced stockholders on May 6 will vote on approving a $20,000,000 financing program, which may involve the private placement of $2,000,000 of preferred stock and the sale, partly public and part privately of $6,000,000 of collateral trust notes and $12,000,000 of collateral trust bonds. **Underwriter**—Blair, Rollins & Co.

● **Public Service Co. of Indiana, Inc.**
April 10 it was announced that company plans to issue and sell 600,000 shares of preferred stock (par $25) and to offer to the common stockholders on a 1-for-8 basis 472,000 shares of common stock. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., handled previous financing.

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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.

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.

★ Reading Co. (5/13)
Bids are expected to be received by the company up to May 13 for the purchase from it of $4,500,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

★ Remington Corp., Auburn, N. Y.
April 14, Herbert L. Laube, President, following approval of the increase and split-up of common and preferred stock, stated that the increased capitalization is necessary because the profit left after today's taxes is far from enough to finance this corporation's continued growth. The common was increased from 50,000 shares, par $5, to 1,000,000 shares, par $1, and split-up on a 5-for-1 basis, and the preferred stock increased from 2,500 shares, par $25, to 50,000 shares, par $10, and split-up on a 2½-for-1 basis.

Republic National Bank of Dallas (Texas)
April 14 stockholders were to vote on approving an increase in authorized capital stock from 1,050,000 shares (par $20) to 2,000,000 shares (par $12) and on issuance of 1,750,000 shares of the new stock in exchange for the present outstanding stock on a five for three basis. The remaining 250,000 shares (par $12) are to be offered for subscription by stockholders at $30 per share on basis of one new share for each seven shares held after stock split. The proceeds will be used to increase capital by $3,000,000 and surplus by $4,500,000. **Underwriters**—Walker, Austin & Waggener, The First Southwest Co. and Dallas Rupe & Son, all of Dallas, Texas.

St. Anne's Oil Co., Midland, Tex. (4/30)
March 28 it was reported that registration is expected about April 10 of 250,000 shares of common stock. **Price**—$5 per share. **Underwriters**—Sills, Fairman & Harris and H. M. Byllesby & Co., Inc., both of Chicago.

★ St. Louis-San Francisco Ry. (4/30)
Bids will be received by the company at 120 Broadway, New York 5, N. Y., up to noon (EDT) on April 30 for the purchase from it of $5,175,000 equipment trust certificates, series L, to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

San Diego Gas & Electric Co.
March 23 it was announced company plans to issue and sell additional securities to help take care of its $17,550,000 expansion program for 1953. **Underwriters**—For any preferred or common stock: Blyth & Co., Inc. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler.

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.

Sears, Roebuck & Co., Chicago, Ill.
April 6 it was announced company plans to raise about $50,000,000 by offering shortly to its stockholders about 1,000,000 shares of capital stock (no par). On April 27, stockholders will be asked to increase authorized capital stock to 27,500,000 shares from 25,000,000 shares (24,-167,840 shares outstanding at Jan. 31, 1953, with 478,673 shares reserved for issuance to employees under a stock option plan). **Proceeds**—To be utilized for general business purposes. **Underwriter**—None.

● Second National Bank of Philadelphia
April 14 it was announced stockholders of record April 14 will receive 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.

Shield Chemical Corp., Verona, N. J. (4/23)
March 26 it was reported company plans to issue and sell about $300,000 of common stock. **Proceeds**—For working capital. **Underwriter**—Peter W. Spiess & Co., New York.

South Carolina Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing company to construct approximately 160 miles of pipeline at an estimated cost of $5,945,000. **Securities** may be sold privately through competitive sale.

South Georgia Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing the company to construct 335 miles of pipeline in Alabama, Georgia and Florida at an estimated cost of $8,141,518.

Southern California Edison Co.
March 11, William C. Mullendore, President, stated that company is considering selling $25,000,000 of first mortgage bonds and $15,000,000 of preferred stock. **Proceeds**—For 1953 construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. Probable bidders for preferred: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly).

● Southern Natural Gas Co. (5/18)
April 10 company announced that it will offer to its stockholders the right to subscribe for $34,222,100 of sinking fund debentures (convertible into common stock) on the basis of $100 of debentures for each 10 shares of stock held. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co.; Equitable Securities Corp. **Registration**—Expected on April 20. **Bids**—Tentatively expected to be received on May 18.

● Southern Natural Gas Co. (5/19)
April 10 company announced that it plans to issue and sell $30,000,000 of 20-year first mortgage pipe line bonds due 1973. **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Equitable Securities Corp.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly). **Registration** — Expected on April 20. **Bids**—Tentatively scheduled to be received on May 19.

Southern Pacific Co. (4/22)
Bids will be received by the company at Room 2117, 165 Broadway, New York 6, N. Y., up to noon (EST) on April 22 for the purchase from it of $10,000,000 equipment trust certificates, series II, to mature in 10 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Southwestern Gas & Electric Co.
Feb. 25 it was reported company later this year may issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters** — May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co and Paine, Webber, Jackson & Curtis (jointly); Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

● Tennessee Gas Transmission Co.
March 27 it was reported company expects to do some debt financing this Fall (under $50,000,000) to replace short-term bank loans. (This is in addition to 1,000,000 shares of common stock filed with SEC on April 10—see above.) Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Illinois Natural Gas Pipeline Co.
Feb. 24 it was announced that company will issue and sell bonds and common stock in the ratio of 75% and 25%, respectively. It is anticipated that Peoples Gas Light & Coke Co. will subscribe for about 67% of the common stock and for any additional shares not subscribed for by other stockholders or their assignees. Proceeds would be used for expansion program.

Texas Utilities Co. (6/2)
Feb. 26 it was announced company plans to sell additional common stock (no par) sufficient to raise about $15,000,000 of new money. **Proceeds**—To increase investments in subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp., Blyth & Co., Inc., First Southwest Co., Rauscher, Pierce & Co., Inc. and Dallas Union Trust Co. (jointly); Union Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Goldman, Sachs & Co. and Harriman Ripley & Co., Inc (jointly). **Bids** — Tentatively scheduled to be received on June 2.

Toledo Edison Co.
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. The First Boston Corp. and Collin, Norton & Co. handled latest common stock financing. Probable bidders on any bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Smith, Barney & Co.

United Gas Corp.
Feb. 11 it was reported company may issue and sell in June approximately $20,000,000 of common stock to common stockholders on a 1-for-15 basis and $30,000,000 of debentures. **Proceeds**—For 1953 construction program. **Underwriters**—For stock, none. For debentures, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly); The First Boston Corp., Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly).

Utah Power & Light Co.
March 16 it was announced stockholders will vote May 18 on increasing the authorized common stock from 2,000,000 shares (1,842,500 shares outstanding) to 2,500,-000 shares in order to provide additional stock for future needs. Company's construction program for the three years (1953-1955) is estimated at $42,000,000.

Walworth Co.
March 25 stockholders voted to increase authorized common stock from 1,900,000 shares to 2,500,000 shares and to grant directors right to issue all or part of increased stock without prior offering to stockholders; also to reserve part of the additional shares for issue upon conversion of convertible 3¼% debentures due May 1, 1976. **Underwriter**—May be Paine, Webber, Jackson & Curtis, New York and Boston.

★ Washington Gas Light Co.
April 8 it was reported company plans to issue and sell $7,000,000 of refunding mortgage bonds. **Proceeds**—For new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co.; Union Securities Corp. **Bids**—Expected to be received in June.

● Washington Water Power Co.
April 10 it was announced directors have approved the issuance and sale in May of $10,000,000 of first mortgage bonds and $18,000,000 of debentures. **Proceeds**—To repay $24,000,000 of bank loans and to redeem 35,000 shares of $6 preferred stock at $110 per share. **Underwriters**.—If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Lehman Brothers (jointly); Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly).

West Texas Utilities Co.
March 2 it was reported that company plans issuance and sale of 100,000 shares of new preferred stock. **Underwriters** — May be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Harriman Ripley & Co., Inc.; Union Securities Corp.

● Westcoast Transmission Co.
April 10 it was stated company may issue and sell $59,-000,000 of 4% first mortgage bonds to insurance companies (including Prudential Insurance Co. of America, New York Life Insurance Co.; Northwestern Mutual Life Insurance Co. and several Canadian companies); $25,-000,000 of 3% to 4% short-term notes to the National City Bank of New York; and about 3,500,000 shares of common stock for about $30,000,000. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

● Western Light & Telephone Co., Inc.
April 10 it was announced that stockholders voted to increase the authorized preferred stock (par $25) from 250,000 shares to 400,000 shares and the common stock to 700,000 from 500,000 shares. The sale of about $3,000,-000 bonds and 80,000 shares of preferred stock is expected in June. **Proceeds**—For new construction. **Underwriter**—Harris Hall & Co., Inc., Chicago, Ill.; The First Trust Co. of Lincoln (Neb.).

★ Weston Electrical Instrument Corp.
April 8 it was announced stockholders will vote April 30 on increasing authorized capital stock (par $12.50) from 250,000 shares (160,583 shares outstanding) to 500,000 shares, and on approving the distribution of a 100% stock dividend. Subject to market conditions, the company also plans to offer additional stock to stockholders on a pro rata basis. **Proceeds** — To reduce bank loans of $7,750,000. **Underwriter**—May be named.

Wisconsin Public Service Corp.
March 17 it was reported that the company may, late this year or early in 1954 issue and sell some common stock to round out its financing program. **Underwriter**—May be The First Boston Corp. and Robert W. Baird & Co. (jointly).

Woodley Petroleum Co.
March 31 it was announced company plans issue and sale of 50,000 shares of convertible preferred stock (par $50) and $2,500,000 of debentures. Stockholders on May 5 will vote on authorizing 100,000 shares of the new preferred stock. **Proceeds**—To finance exploration and marketing program of company's subsidiary. **Underwriter** — A. C. Becker & Co., Inc., Chicago, Ill.

Worcester Gas Light Co.
April 2 it was announced company has applied to the Massachusetts Department of Public Utilities for authorization to issue and sell $3,000,000 of 20-year first mortgage bonds. **Proceeds**—To retire bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co.

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Best Investment Values: 1953-54

yield on preferreds has not changed much. Half of the spread is gone. Since the overall coverage of common stock dividends is only about 1.2 times as compared with 2½ times for the preferred stocks, a yield differential of only one percentage point hardly seems adequate compensation for the risks assumed. The relative yield pattern in utilities is also typical of many defensive industries and the price of their common stocks seems to discount the theoretical protection afforded.

Highly Cyclical Industries

On the other hand, the stock investor seems to take a more dubious view of the highly cyclical industries than has ever been the case in past booms. In addition, many stocks which have not fully participated in recent market strength or which are enjoying their own private recessions now appear to be discounting a substantial measure of future trouble. It is my opinion that the real buys for 1953 and 1954 may fall in these neglected groups. The machine tool business is often cited as the classic example of a prince-or-pauper industry. Right now, it is in a princely phase but for some strange reason the stocks in the industry are selling at pauper prices—some as low as one times pre-tax earning power and almost none higher than two times. This is something new and may have interesting implications even if direct and indirect government orders are partiallly responsible. Can we have a machine tool depression and good business otherwise? It seems most unlikely except for reasonably short periods because this business is the very heart of our economic way of life. The argument that the replacement cycle of machine tools is a long one is valid. But it is also true that much of our equipment is obsolete in basic design and this fact will offer the buyer incentives in cost savings long after the desire for expansion of unit capacity is gone. There are some informed people who have high hopes that a revision of regulations affecting depreciation will make the potential demand an effective market in much the same way as have certificates of necessity.

The above argument with respect to machine tools also applies to many other capital goods producers. Fairbanks, Morse & Company is an example of relative undervaluation. In 1937, the last previous boom period, this stock at the peak sold at about 20 times earnings and at a price equal to five times its net working capital after deduction of debt. Now it is quoted at about 26, which is approximately seven times earnings and very close to its net working capital per share. Furthermore, earnings are after heavy excess profits taxes which should cushion any decline. It would appear that the market presently appraises the earnings and assets of the company at only one-third of the valuation placed upon them in 1937. This seems to me to be a rather healthy discount. At average prices in the recession year of 1938, Fairbanks sold at nine times 1937 peak earnings and at 90% of working capital. Taking these two valuation ratios as a criterion, the future average recession value of the stock would work out at 23 and 34, respectively, which neatly brackets the current market. In other words, this stock already appears to be discounting a very substantial decline in earning power and therefore probably carries a low degree of risk.

Similar argument applies to companies which participate in heavy electrical equipment and related products such as steam boilers and they should enjoy prosperity for some time to come. Combustion Engineering Company and Babcock and Wilcox are interesting values in relation to earnings, assets, and future prospects.

If, as many hold, views such as mine are entirely too bearish on the general outlook, these stocks and others of the type could be particularly satisfactory holdings.

It might reasonably be charged that my suggestions thus far appeal to a limited public. They seem to exclude that large and influential group of investors who are almost entirely interested in long-term non-cyclical growth and who consider income as secondary. Since my candidates for this category of "best values" lie in the insurance field, I should again warn you of my bias for I have been a continuous bull in this connection for almost 20 years.

Insurance Stocks

With this word to the wise, may I point out that insurance stocks in general are selling more reasonably in relation to their liquidating values than has usually been the case at the top of business cycles. This may be due, in part, to ultra-conservative dividend policies being followed in relation to investment earnings and in the case of casualty stocks to very bad underwriting for several years past. But casualty profits have now taken a turn for the better and when such trends become established, they usually continue for several years. Fire results on the other hand appear to be turning moderately downward after a number of good years. This negative aspect is partially offset, however, by the probability that cost of settlements would decline sharply under depressed business conditions.

The life companies have now come into their own and there seems to be nothing in sight to keep them down with interest rates and mortality running strongly in their favor. While many of them may have appreciated too much in the market for the average person's taste, there are several which have also been involved in the casualty field and these have been market laggards.

Choice of insurance stocks should emphasize a strong capital position, sound underwriting performance, and a low price in relation to investment earnings. To the extent possible, exposure to heavy portfolio risks in common stocks should be avoided but this is not always feasible if the other factors are given appropriate weight. I give you the following candidates — three in number — which are in different but overlapping fields of endeavor. (1) Travelers Insurance Company — (life insurance and casualty). (2) Fidelity-Phenix Fire — (fire and casualty). (3) United States Fire Insurance Company—(fire).

To summarize in closing, my selections for Best Values in 1953 and 1954 fall in three fields—Tax exempt bonds, undervalued cyclical companies, and the insurance industry. If the hypothesis as to business prospects upon which these selections are based turns out to be too bearish, I do not think the investor is likely to suffer—in fact, I would still pick them if the outlook were entirely bullish.

Our Reporter's Report

The investment industry was plainly jubilant over the hard-boiled policy adopted by the Treasury in seeking to cut "free-riding" on its new issue of long 3¼s to a minimum.

Talk in the trade indicated that Secretary Humphrey and his aids were exercising extreme care in that direction. Subscription lists, particularly those of individuals, were being scanned closely and it was indicated that allotments would be mighty thin in view of the overwhelming demand for the limited issue.

The investment industry is interested in the long-range effects of this policy. As a spokesman put it "we would naturally rather see a successful operation that stays successful rather than one of initial success with the fringe sellers ultimately upsetting things."

Feeling is that with the Treasury financing successful and out of the way the general market should take on a better tone. Investors have been assured that the government does not have any further long-term financing in immediate prospect.

Accordingly they will have a better idea of how to judge the market. Meanwhile with the new Treasury 3¼s quoted at only a slight premium, the quick-turn contingent appeared to be in for disappointing results on this occasion.

Going Both Ways

The prevailing nervousness marketwise is reflected in the experience of groups which brought out two utility issues sold in competitive bidding earlier in the week.

In the case of Texas Electric Service Co.'s new bonds, this $7,000,000 issue, priced to yield 3.515%, brisk demand was reported with the issue moving out rapidly. The 100,000 share block of preferred also was being absorbed, but at a slower tempo.

Meanwhile, despite repricing immediately after fixing of the initial reoffering figure, Jersey Central Power & Light Co.'s new 4s were reported as slow.

Recent Offerings Slow

Evidently it will require some further improvement in the secondary market to bring in demand for recent new offerings which have been lagging.

It is understood that the group which brought out Mississippi River Power Co.'s bonds a few weeks ago have received a bid approaching a 4% yield basis.

Meanwhile Kentucky Utilities, California Electric and Brockton Edison offerings are reported available in good supply. The same holds true in the case of the recent Florida Power loan.

P. Lorillard & Co.'s debentures, handled on a negotiated basis, were doing very nicely with almost the entire issue reported spoken for by the close last night.

Future Calendar Thin

At the moment the roster of new prospects, due to reach market in the next few weeks, is on the thin side. Largest issue in immediate prospect is the $40,000,000 issue of Detroit Edison Co. refunders slated for bidding on April 28 and market conditions being "right" at that time competition could be lively.

A substantial addition to the list takes the form of $65,000,000 of Pacific Gas & Electric Co. first and refunding mortgage bonds, due to mature June 1, 1984.

This issue now has the formal approval of the big utility's directors. The coupon rate will be set by bankers in their bidding. Provided the projected financing receives approval of regulatory agencies, it is expected bids will be opened May 19. Proceeds would provide for retirement of bank loans and for new construction.

Nat'l Minerals Co. Formed

DENVER, Colo.—Monroe Marks and E. B. Strom are engaging in a securities business from offices in the Kittredge Building under the name of National Minerals Co.

Donald Sherwood Joins Reynolds & Co.

CHICAGO, Ill. — Donald B. Sherwood has become associated with Reynolds & Co., 39 South La Salle Street, members of the New York Stock Exchange, as Manager of the corporate trading division of the firm's Chicago office. Mr. Sherwood was formerly Manager of the trading department of Stifel, Nicolaus & Co., Inc. in Chicago, and prior to that was associated with the firm of Hickey, Doyle & Co.

Donald B. Sherwood

Join Walston Staff

Walston & Co., 35 Wall Street, New York City, members of the New York Stock Exchange and other leading security and commodity exchanges have announced that John D. Johnston, John C. Loos and Philip Wolfers have become associated with the firm as registered representatives.

Joins Link, Gorman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Sterlin W. Pratt has become associated with Link, Gorman, Peck & Co., 208 South La Salle Street. He was previously with Ames, Emerich & Co., Inc.

MEETING NOTICE

LONG ISLAND LIGHTING COMPANY

Notice of Annual Meeting April 21, 1953

Notice is hereby given that the Annual Meeting of the Stockholders of Long Island Lighting Company will be held at the office of the Company, 250 Old Country Road, Mineola, New York, on Tuesday, April 21, 1953, at 2 o'clock P. M., Eastern Standard Time, to elect eleven directors and to take action on the following five proposals: 1. Amending the Certificate of Incorporation to change the Common Stock from no-par value to a par value of $10 per share. 2. Amending the Certificate of Incorporation to provide for an increase in the authorized number of shares of Preferred Stock from 300,000 shares to 600,000 shares. 3. Amending the Certificate of Incorporation to provide for an increase in the authorized number of shares of Common Stock from 6,000,000 shares to 8,000,000 shares. 4. Authorizing and consenting to a plan whereby 100,000 shares of Common Stock will be available for purchase by employees. 5. Approval of appointment of Price Waterhouse & Co. as Independent Public Accountants for the year 1953, and such other business as may properly come before the meeting or any adjournments thereof.

Only holders of common stock (and holders of preferred stock, who are entitled to vote on the proposal to increase the authorized preferred stock from 300,000 shares to 600,000 shares) of record on the books of the Company at the close of business on March 20, 1953, are entitled to vote at the meeting. The stock transfer books will not be closed.

CHARLES E. ELBERT
Secretary

MEETING NOTICES

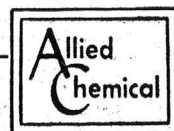
NORFOLK AND WESTERN RAILWAY COMPANY
Roanoke, Virginia, April 6, 1953.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Norfolk and Western Railway Company will be held, pursuant to the By-laws, at the principal office of the Company in Roanoke, Virginia, on Thursday, May 14, 1953, at 10 o'clock A. M., to elect four Directors for a term of three years.

Stockholders of record at the close of business April 16, 1953, will be entitled to vote at such meeting.

By order of the Board of Directors.
L. W. COX, *Secretary.*



NOTICE OF ANNUAL MEETING

TO THE STOCKHOLDERS:

The Annual Meeting of the Stockholders of Allied Chemical & Dye Corporation will be held at the principal office of the Company, No. 61 Broadway, Borough of Manhattan, New York, N. Y., at one o'clock p.m. (Daylight Saving Time), on Monday, April 27, 1953, for the following purposes:

(1) To elect directors for the ensuing year;

(2) To take action upon a proposal that the stockholders approve an incentive stock option plan and authorize the Company to issue 150,000 authorized but unissued shares of Common Stock of the Company for the purposes of said plan without first offering such shares to the holders of the Company's outstanding stock for subscription; and

(3) To transact such other business as may properly come before the Meeting.

Stockholders of record as of the close of business March 19, 1953, will be entitled to vote at this Meeting. The transfer books will not be closed.

W. C. KING, *Secretary.*

Dated, March 19, 1953.

DIVIDEND NOTICES

PUNTA ALEGRE SUGAR CORPORATION

The Board of Directors has declared a dividend of $.25 per share on the capital stock of the Corporation payable June 1, 1953, to stockholders of record at the close of business May 15, 1953. Attention is directed to the fact that this is not a quarterly dividend.

WILLIAM C. DOUGLAS
April 9, 1953 *Chairman*

THE SOUTHERN COMPANY
(INCORPORATED)

Directors of The Southern Company, at a meeting held on April 13, 1953, declared a quarterly dividend of 20 cents per share on the outstanding shares of common stock of the Company, payable on June 6, 1953 to holders of record at the close of business on May 12, 1953.

L. H. JAEGER, *Treasurer*
Atlanta, Georgia

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 57

A dividend of 35 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable June 12, 1953 to stockholders of record at the close of business on May 29, 1953.

H. D. McHENRY,
Secretary.

Dated: April 16, 1953.

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Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—After watching Congress between now and say, next fall, people are going to forget that it is true love that is the outstanding example of something that doesn't run smoothly, for the prospect ahead from here on is one for a rather chaotic legislative situation.

First, there is the matter of Mr. Capehart's special enterprise, the "90-day freeze" bill. The Indiana Senator has persuaded the Banking Committee, of which he is Chairman, to report out this bill just the way he wanted it.

This bill permits the President of the United States to order a 90-day freezing of wages, prices, and rents, should inflation resume, with or without war or a big, little, or medium Korea. The bill also permits the President to order this freeze in case of war.

Only if Senator Robert A. Taft (R., Ohio), the Majority Leader, is able to unsell the Senate on this one, can a bursting package of controversy be avoided. The Ohio Senator may have some trouble because a good many Democrats see a "standby freeze" as good politics to favor, and so do a number of Republicans in the Senate who do not truly love their colleagues' opposition to this scheme.

Chairman Jesse P. Wolcott, (R., Mich.) of the House Banking Committee, opposes the whole price, wage, and rent freeze deal. If this were all there was to it, the matter would be very simple. Jesse Wolcott could sit on Senator Capehart's bill after it came from the Senate, and the Michigander's sitting power is perhaps above average.

Freeze Added to DPA

On the other hand, the Indiana Senator was cute enough to tag his freeze bill onto the remnants of the Defense Production Act, which the Administration wants for continuing the defense program. The materials controls, etc., all agree, must be legislated for a further period.

Furthermore, a 5-months extension of present rent controls is also included in the bill, against the avowed and public opposition of Mr. Eisenhower's chief House lieutenant, Mr. Wolcott. The purpose of the 5-month continuation is to allow state governments, who were already on legal notice rent control expires April 30, to absorb the shock, and if need be to enact state rent control laws, even though most of their legislatures have quit or are quitting soon.

This rent control amendment provides for a special snafu, it being included in the overall bill. There is little possibility that the House and Senate (assuming the Senate does go along with Homer Capehart) can iron out their legislation much before the hot, humid weather begins, yet rent control of all sorts, even in strictly defense areas (not in controversy), will expire as will all other controls on April 30.

Of course the House will pass the extension of materials controls, V-loans, and the like, even if it sticks with Mr. Wolcott in turning down the Capehart "Freeze Enterprise." Then the issue will be squarely before the conference committee, with large opportunities for delay and bickering.

Peacetime Credit Controls At Issue

The prospects for a nice good tug of war will be heightened further if the Senate approves another part of the bill, added by the Banking Committee at the most courteous request of the Treasury, giving the Federal Reserve Board power to reinstate regulation of consumer credit in peace-time.

Reciprocal Trade Is Next

By next Wednesday, according to schedule, the House Ways and Means Committee is to take up the Simpson bill to continue the Reciprocal Trade Agreements Act with a "mandatory" peril point clause and other features unworthy of an Administration dedicated to free trade and aid.

This of course runs counter to President Eisenhower's request for a year's extension of the act without major changes. Rep. Dick Simpson, (R., Pa.) the author of the bill, is dedicated to the job of getting GOP members of the House elected, being Chairman of the Republican Congressional Campaign Committee. There is no evidence that even though he was a guest of Mr. Eisenhower at a White House luncheon, that Mr. Simpson has lost any interest in his version of the bill.

It is believed that the chances are that the House will pass a bill more along the line Simpson proposes than along the line the President wants. On the other hand, the chances are the Senate will lean more toward Mr. Eisenhower's views, particularly in view of Mr. Taft's support, making for another cause of friction within Congress in the near future.

Tax Dispute Warms Up

Even though Mr. Eisenhower has asked for continuation of the Excess Profits Tax and Treasury Secretary Humphrey appeared to say cutting expenses enough to make possible adpotion of the Reed bill was all but impossible, the advocates of the Reed bill are still in there fighting.

Chairman Dan Reed (R., N. Y.) also was dined by Mr. Eisenhower, along with Dick Simpson, at the White House luncheon. Notwithstanding, it is reported, he dosen't love the Excess Profits Tax any more.

CED Idea Takes Hold

There was, on this subject, a great deal of interest in the suggestion made last week by Committee for Economic Development to the effect that if expenses could be cut enough ($6.6 billion on the basis of the Truman estimates) to balance the cash budget and permit tax cuts, that this should be done.

In view of the total reluctance of the Eisenhower Administration to tackle economy on the front of the big vested spending interests, the heart in Congress has gone out of the attempt to balance the conventional or bookkeeping budget. That prospect is now totally out of the window for '54.

Hence if there is any chance for the Reed Bill, it must be rationalized on the basis, if it can be done, of balancing the cash budget. Many also think that as old age pensions rise and net payroll tax receipts therefor diminish, the cash budget would then be the more honest one.

Hard-headed Capitol observers believe, however, that a balancing of the cash budget is the maximum possibility for fiscal '54 which now can be hoped for. The guess is that the net savings in defense spending will amount to only about $2 billion.

Hence if the Reed bill is to have fiscal "room," the Congress will need to lay its hands on some of the $38 billion of assets of government corporations. The chief one available is the plus $2 billion of Federal National Mortgage Association, VA and FHA loans.

However, the sale of these probably would be made, even if at a discount, to the same types of institutional lenders upon which the building industry is relying for mortgage money for new housing construction.

This in itself would constitute a major segment of housing policy, of the type upon which Albert M. Cole, new housing boss, says he doesn't want to make policy until he has studied the whole governmental housing works.

Mr. Cole's decision to sit tight on housing law changes for the present, incidentally, causes concern in Congressional circles wanting to pass out some more easy housing money for veterans and others.

Go Different Ways on T-H

Another looming element of Congressional controversy consists of the amendments to the Taft-Hartley Act. The failure of Labor Secretary Durkin to organize an industry-labor advisory committee into proposing labor legislation for the President to adopt as his very own, has only added to the confusion.

Under the leadership of Senator Taft, the Senate Labor Committee is determined more and more to eliminate the "union-busting" features of T-H, in line with the Eisenhower strategy of attempting to woo the AF of L away from the CIO and the Democrats.

The House Labor Committee, on the other hand, without any Teacher Ike and his rod around to scare them, are moving more and more toward the idea of taking a real crack at union power.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"Now let's get this peace program really going!"

Business Man's Bookshelf

Economic Survey of Europe Since the War: A Reappraisal of Problems and Prospects—United Nations Publication 1953. II. E. 4—Columbia University Press, 2960 Broadway, New York 27, N. Y.

How to Buy Stocks: A Guide to Successful Investing—Louis Engel—Little, Brown & Co., Boston—cloth—$2.95.

Profits: What Are They, Who Gets Them, Why — Chamber of Commerce of the United States, Economic Research Department, 1615 H Street, N. W., Washington, D. C.—single copy gratis, in bulk $4.50 per hundred.

Polls of Employee Opinions and What to Do With Them—Robert D. Gray — California Institute of Technology, Pasadena 4, Calif.—paper—$1.00.

Puerto Rico's Program for Progress—Illustrated brochure—Chase National Bank of the City of New York, Pine Street, corner of Nassau, New York 15, N. Y.

Study of Trade Between Latin America and Europe—United Nations Publication 1952. II. g. 2—Columbia University Press, 2960 Broadway, New York 27, N. Y.—paper—$1.25.

Summer Time Chart—showing time differences in over 100 countries throughout the world as compared with Eastern Daylight Saving Time which will become effective April 26—Foreign Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Ten Tales of Insurance Woes (designed to help businessmen develop "better vision" when buying insurance)—Michael H. Levy, 1819 Broadway, New York 23, N. Y.—paper—on request.

Where Karl Marx Went Wrong—Samuel B. Pettengill—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y.—paper—no charge for single copy; quantity prices on request.

Workmen's Compensation in New York: Its Development and Operations — Henry D. Sayer—Commerce and Industry Association of New York, Inc., 99 Church Street, New York 7, N. Y.—paper.

With Clair S. Hall

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Ralph A. Westerfield is now affiliated with Clair S. Hall & Co., Union Trust Building. In the past Mr. Westerfield conducted his own investment business in Cincinnati.

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