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EDITORIAL

As We See It

For a good while past there have been complaints in divers quarters that the President was not giving the country the "leadership" that had been expected of him. He has now come forward in few, straight-flung words setting forth precisely what it is his Administration is striving for in fiscal affairs.

And where there were complaints before, there are bitter denunciations now. Where there were charges before, now there are intemperate charges—usually directed not at the President directly but at those of his associates and lieutenants believed to be most vulnerable to political barrages. There has been a burgeoning of the contemptible procedure of encouraging underlings and subordinates to criticize and "tell tales on" their superiors.

Arrangements are made for partisan elements in the Pentagon to "respond" to Congressional "requests" for "information" which shows that current plans to curtail outlays can but lead to disaster. "Facts" are "leaked" in such a way as to appear spontaneous and to suggest horrible consequences if funds are available in smaller amounts than the New Deal or the Fair Deal had pronounced essential or, at all events, provided. Gloomy predictions are heard about the curtailment of services which "must inevitably" follow proposed budget economies. All the old super-lobby tricks with all the New Deal and Fair Deal embellishments have been marshalled and mobilized to prevent consummation of the plans which are obviously essential to realization of the ends

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National Security, Stability, And Economic Solvency

By ALVIN H. HANSEN
Professor of Economics, Harvard University

Dr. Hansen reviews economic progress since 1948 and lists six developments that indicate favorable results. Says prices have increased less than rate of Gross National Product, and have been moderate, while burden of debt has declined, and private consumption and capital formation have shown a healthy growth. Warns, however, rising output and income curves are flattening out, and decries recent government issue of 3¼% bonds as a "jump," signaling the turning of the tide.

How has our economy been faring since 1948? By 1948 we had gotten back to fairly normal peacetime conditions. Pipelines were again full, peacetime inventories had been restored, the most serious postwar shortages had been filled, backlogs of demand for housing and consumers durables had been measurably overcome, personal savings as a per cent of disposable income had settled back to normal, a fairly good balance had been reached in the price structure, postwar inflationary pressures had subsided, and wholesale prices in December, 1948 stood 2% lower than in January of the same year.

Alvin H. Hansen

Now what has happened since 1948? First, a mild and brief recession, then Korea and nine months of panic buying, government spending for national security rising rapidly from $18 billion in 1948 to over $50 billion, and along with this a vast expansion of defense industries. Remembering that 1948 was already a year of full employment, let us imagine that a board of economists had been told back in 1948 that the events listed above would happen. Let us assume that these economists were asked to forecast for the year 1953 each of the following: (1) the price level, (2) the Federal Reserve index of production, (3) the GNP

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Let's By-Pass UN in Korea

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

Sen. Taft, describing ineffectiveness of the United Nations as an instrument against aggression, urges U. S. act independently in seeking a truce in Korea and favors a policy in Asia based on alliances rather than United Nations action. Cites Atlantic Alliance as by-passing United Nations in formulation of positive action against communism. Says problem of Administration is to maintain the world-wide alliance against Soviet Russia, but doubts whether it is possible to do this over long period of years. Urges tolerance for "those trying to conduct our foreign affairs."

During the past three years, the foreign policy of the United States, whether under Democratic or Republican charge, has been based on the general opposition to the spread of communism beyond its present limits, either as an ideology or as an advance by force. Certainly our policy has not been based on any reliance on the United Nations or on any other country.

Robert A. Taft

Unfortunately, the last Administration did not go all out for this policy against communism in Asia until it was too late to make it truly effective. The failure to check communism on the mainland, the unfortunate withdrawal from Korea, has involved us in a war situation and a Communist situation in Asia for which there seems to be no satisfactory solution.

Nevertheless, the last Administration certainly believed in the general policy of opposition to communism, since they backed up Greece and Turkey in 1947, and, of course, in Asia since the Korean war.

Again I point out that this policy is not a policy of working through the United Nations, but is a policy of

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*From an address by Sen. Taft read for him at the Silver Anniversary Meeting of the National Conference of Christians and Jews, Cincinnati, Ohio, May 26, 1953.

ON THE INSIDE — A glance at the Index on page 3 vividly shows the wealth of information of vital importance to the securities field, investors, and businessmen which is available in the Thursday "Chronicle" every week throughout the year.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Sonoco Products Company—Glenn E. Anderson, Executive Vice-President, Carolina Securities Corp., Raleigh, N. C. (Page 2)

Miller Manufacturing Company—Paul P. Chester, Manager, Trading Department, Baker, Simonds & Co., Detroit, Mich. (Page 2)

GLENN E. ANDERSON
Executive Vice-President,
Carolina Securities Corp.,
Raleigh, N. C.

Sonoco Products Company

The company whose common stock I have selected is perhaps not so well known by the investing public as are many other companies who occupy a less important position in their industries. Its stock has not been widely distributed, but this situation was improved last year when it sold 150,000 shares of stock, most of which was distributed to the public through a group of underwriters. Sonoco Products Company was organized in 1899 as the Southern Novelty Company and adopted its present name in 1923. It is a South Carolina corporation with its executive offices at Hartsville, South Carolina.

G. E. Anderson

The company is engaged in the manufacture and sale of paper carriers, in the form of cones and tubes for the textile and allied trades; winding cones, paper spools, bobbins, underclearer rolls, cork cots and other textile specialties; impregnated and special tubes for the textile, electrical and construction trades; paper and paperboard. Some idea of the importance of the company can be obtained from the fact that it supplies approximately 80% of the cones and paper carriers, other than tubes, used by the textile industry in the United States and about 50% of the tubes of the type which it manufactures. Paper and paperboard are less important products.

The company's plants are located in South Carolina, New Jersey, Connecticut, Pennsylvania, Massachusetts, California, Canada, Mexico, Brazil, Australia and Great Britain. It acquired the Gates Paper Company, Ltd. of Los Angeles in 1952 and plans are underway to establish manufacturing operations in the Middle West in 1953 to place the company in a better competitive position.

The following figures for sales and net profits after taxes clearly reflect the outstanding growth which the company has enjoyed:

	Sales	Net Profits
1910	132,103	29,139
1920	907,955	33,707
1925	1,236,285	114,446
1930	1,598,178	206,018
1935	2,631,075	326,827
1940	5,017,567	557,528
1945	8,895,502	293,131
1950	18,895,461	1,678,041
1951	23,839,851	1,675,989
1952	21,215,355	1,447,543

Sonoco has in recent years achieved some diversification in its business, although approximately 50% of its products are still sold to the textile trade. In earlier years an even larger percentage was sold to the textile trade but, in spite of this, the company has shown a profit in every year of its existence with the single exception of 1924 when it lost $1,873. As a matter of fact, its earnings during the depression period from 1931 through 1933 were at a higher level than during the year 1928.

Two products recently developed by the company have found wide acceptance in the building and construction industry. They are called Sonoairduct and Sonotubes. The former is used to replace galvanized iron or clay pipe supply or return lines in heating installations, in slab-on-ground construction. Sonotubes are used as forms in pouring concrete columns. This division of the business will be further expanded.

Capitalization of the company at Dec. 31, 1952 consisted of $1,992,734 of long-term debt, $440,000 of preferred stock, and $13,195,851 of capital stock and surplus. There were outstanding 731,414 shares of $5 par value common stock. Working capital amounted to $3,883,707 with a current ratio of 3.57 to 1.

The company earned $1.95 per share on its common stock in 1952, which compares with $2.26 per share in 1951 adjusted for the same number of shares. However, a 100% stock dividend was paid in early 1952 followed by the issuance of 150,000 shares of new common stock through rights to stockholders. Dividends are currently being paid at the rate of $1 per share.

The decline in earnings in 1952 was largely due to the decline in textile production which began in late 1951. This trend, however, was reversed in late 1952 and it is expected that sales in 1953 will reach a new high.

At approximately $18.50 per share I consider the stock of this well managed and growing company an attractive investment for both income and growth.

Sonoco Products common stock is traded in the over-the-counter market.

PAUL P. CHESTER
Manager, Trading Department,
Baker, Simonds & Co., Detroit, Mich.

Miller Manufacturing Co.

In the Detroit area, the home of many industrial giants, there is to be found an assortment of budding enterprises which give promise of future greatness. Many of such companies are finding growth through diversification into activities which are capable of serving more than just the automotive industry. Among these is Miller Manufacturing Company, which has been identified with the automotive service tool field since 1912.

Paul Chester

Production of service tools was the primary activity of the company and sales principally to a large automotive manufacturer until the year 1942. At that time, a new management group took control and demonstrated its ability by gradually leading the company into other fields and resultant diversification which has given operations a stability that attracts the investor. Sales have grown steadily with every indication of continued expansion.

At the end of 1952, the company through its three principal divisions (with plants located in Detroit, Monroe, and West Branch, Michigan, and Cleveland, Ohio) was engaged in the production of steel castings, forgings, and service-tools for thousands of customers in various industries. The comparative financial operating statistics at selected time intervals are as shown below.

Although 1952 represented a record year in sales and profit, the management continued in its policy of growth by acquiring during March of this year, all of the outstanding stock of the Bonney Forge & Tool Works of Allentown, Pennsylvania.

Bonney is a well-known producer of mechanics' tools such as pliers, screw drivers, wrenches, saws, chisels, etc., for automotive, aviation, farm, industrial, marine, and refrigeration use. Also produced are commercial forgings and a line of patented pipe fittings used extensively in the chemical and the oil and gas industries. Products are distributed through approximately 5,000 active accounts.

Bonney has immediately increased the Miller consolidated sales picture by approximately 35%.

The acquisition was made after thorough and competent consideration by the management group which has so aptly guided the affairs of the company in the past. Enhancing the interest of the present 2,700 shareholders is the fact that payment has been made partially from a strong working capital position and the balance through borrowed funds which will take the form of long-term debt.

Dividends have been paid quarterly without interruption since 1942, at which time the public was permitted to share in the ownership. At the present time the stock sells to yield approximately 7%. Earnings retained in the business have brought financial stability and furnished the base for expansion.

As can be seen from the foregoing table, sales have increased approximately ten-fold since then without taking into account the sharp increase resulting from the recent acquisition of Bonney.

In summarization, Miller Manufacturing Comapny has been following a carefully selected route of growth that should lead to further expansion in product coverage, sales, earnings and investment merit.

Miller Manufacturing common stock is traded in the over-the-counter market and is suitable for speculative individuals.

Year End. Sept. 30	Net Sales ($000's)	Net Income ($000's) Bef. Tax.	Aft. Tax.	Per Common Share Earned	Dividends
1942	1,073	264	112	$0.21	$0.15
1944	2,676	362	92	0.16	0.20
1946	3,846	681	384	0.66	0.25
1948	6,097	764	434	0.75	0.40
1950	5,331	437	265	0.46	0.225
1952	10,467	1,737	567	0.97	0.35

What Do You Think?

What About Picketing?

Letters received on the subject of whether or not the Taft-Hartley Act should be amended to outlaw picketing presented.

On the cover page of the "Chronicle" of May 21, under the caption, "What Do You Think?" attention was called to two schools of thought on the subject of picketing: (1) those who feel that it infringes on property rights and civil liberties and thus should be outlawed, and (2) those who, holding the opposite view, argue that picketing is an essential component of the strike weapon to secure human rights. To help clarify thinking on the subject, the Editor of the "Chronicle" invited brief comments on the question. Communications that have been received that can be accommodated in this issue are given below:

MAXEY JARMAN
Chairman, General Shoe Corp., Nashville, Tennessee


Maxey Jarman

I not only believe that picketing infringes on property rights and civil liberties, but I also believe that strikes themselves should be prohibited. Neither of these should be prohibited without setting up the proper means for working people to secure justice.

Certainly strikes and picketing are not a way for anybody to reach a just answer. They represent the use of force and a cold war procedure which can only result in the stronger person winning. There is a better way to settle labor disputes than by strikes, violence and picketing. This is a judicial means which will give us justice in the same way we have in the case of other disputes.

Enclosed is a leaflet on this subject.*

*The leaflet referred to was prepared by Mr. Jarman and is entitled "A Better Way To Settle Labor Disputes: A Proposal in The Public Interest." A basic fundamental of Mr. Jarman's recommendations is that "Labor Courts" be established whose decisions in labor disputes would be binding on both employers and unions.—Editor.

HON. SAMUEL WM. YORTY
U. S. Congressman from California

Ordinary picketing is simply a device to advertise the existence of a grievance and to propagandize for support of the position of those on the picket line. Any attempt to make the practice illegal would violate the constitution.

ALAN K. DOLLIVER
President, Family Finance Corporation, Wilmington, Del.


Alan K. Dolliver

I see no objection to genuine **peaceful** picketing, but the citizen's individual **"right to work"** is as proper and sacred as his right to strike, therefore, those who wish to work should be protected as well, **and equally,** as those who wish to strike. In **practice,** much "picketing" to date actually has amounted to coercion and physical prevention of work, thus an infringement on the citizen's constitutional and moral right to work.

W. H. COLVIN
President, Crucible Steel Company of America, New York City


W. H. Colvin

Starting on the premise that employees have a right to strike it follows that they have the right to make certain that all other employees know that a strike has been called and the right to try to persuade other employees not to work while the strike is in progress. These things add up to picketing. On the other hand, any lawful right to picket cannot include the right to violate other laws which restrain people from violence and destructiveness. Similarly, the right to attempt to persuade an individual must be balanced by freedom for that individual not to be persuaded and thereafter not to be prevented from working as he wishes.

Personally I think these differences are easy to list, almost impossible to define in a law and, when feelings are high, mainly impossible to enforce. In large situations, I do not think that the law enforcement agencies have either the power or the will to compel observance of the letter of the law which defines these differences. Industry's response of late years, it seems to me, has been to shut down with the result that violent picketing by hired mobs has become much less in evidence. Where a majority of the employees want to strike a shut down is the most likely result to

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Regular Features

*See article "Comparative Stock Exchange Trading Records" on page 27.
†Column not available this week. Mr. May is in Europe investigating economic phases of East-West situation.

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Business Outlook and Stock Prices

By JULES I. BOGEN*
Professor of Finance, New York University

Dr. Bogen reviews current and prospective business situation and finds grounds for a possible recession from present high levels. Says view that business cycle has been abolished is not justified, although there are factors inhibiting its course. Holds, even with recession, business will still show earnings and dividends are likely to be maintained. Looks for greater stability in stock prices than in previous depression periods.

Industry is turning out today about 2½ times the physical volume of goods that it did before World War II. Defense can account for about only 30% of the increase in the physical output of industry. The rest is going into producers' goods and consumers' goods.

Dr. Jules I. Bogen

If industry is turning out more than double the physical volume of goods that it did in 1939, the obvious question is: are not demands being saturated? Are not the demands of industry and consumers being satisfied and satiated as they have been in past periods of prosperity, and, therefore, are we not on the verge of a cyclical downturn in business?

If industrial production were to decline from the current level to that of 1950—and 1950 was not a bad year—it would mean a drop in industrial production of fully 18%. If the gross national product were to decline from the current level to that of 1950, it would mean a drop in the gross national product of 21%. That would be a depression. It would not be a readjustment. It would not be a recession. It would be a depression. If you doubt it, may I remind you that between 1937 and 1938, our last "normal" depression, the gross national product declined by only 5%.

The productivity of the American economy has been raised to so high a level that even a return to the level of 1950 would thus mean a full-fledged depression.

There are three schools of thought among those appraising the business outlook.

First, there is a substantial group who hold, perhaps not in so many words but in effect, that the business cycle has been abolished. They point out that during this period of prosperity we have had no speculative excesses. We have witnessed no excesses like those of the later 1920's in the stock market, although some would not mind a bit of excess in this field now and then. We have had no excesses in the commodity markets such as characterized the boom of 1920. We have had no excesses in real estate—certainly not in undeveloped land such as we had in the late 20's.

This first school of thought also points out that we do not have any major structural weaknesses in our economy. The banks are strong—many were relatively weak in the 20's. Corporations are financially strong, without a counterpart of the railroads with top-heavy bonded debt that we had in the 20's. Also, in the 20's our foreign trade depended in large part upon foreign loans. Now it is dependent in large part upon foreign gifts. You can keep on giving away, whereas you cannot keep on lending where there is no assurance of repayment.

Moreover, the "no more business cycle" school points out that our economy is going through "rolling adjustments" right along. We have had an adjustment recently in the textile industry. We had a correction in agricultural prices during recent months. Farm prices have gone back to the pre-Korean level. If we can have these rolling adjustments, to correct individual maladjustments as we go along, one by one, we do not have to have the concerted corrections which go by the name of depression.

The argument that the business cycle has been abolished would sound more convincing to me if I had not lived through the 1920's. But this is clearly the "New Era" philosophy all over again. Those who held this opinion in the late 1920's did not fare at all well in the subsequent years. The assertion that the business cycle has been abolished will prove unjustified again.

A second school of thought about the business outlook might be called the "depression overdue" school. It includes the people who have been pointing out ever since the end of the war that the depression is overdue, that it should have started six months or a year ago. They are the counterpart of the people who, in the early 1930's, insisted month after month that "prosperity is lurking just around the corner." These people now say that a depression is lurking just around the corner, and that it will be with us at any time. The fact that it has been postponed so long will make it so much more serious, they hold.

In my opinion, both of these extreme views are not justified. It is unrealistic and dangerous to hold that the business cycle has been abolished, but it is equally unrealistic to insist year after year that a depression is sure to start six or eight months hence. The truth is somewhere in between.

A third, middle-of-the-road, school holds that our private enterprise system is and will continue to be subject to cyclical fluctuations. But the cyclical movement of business can be inhibited for shorter or longer periods by powerful forces that dominate the economy at times.

A war is such a force. In a war, government buying prevents capacity production from causing satiation of demands and a depression. Huge backlogs of demand following a war are a similar inhibiting force. While satisfying these postwar backlogs of demand, we cannot have much of a recession. The present level of rearmament is such an inhibiting force. The government, which had been spending in 1950 $18 billion annually for defense and foreign aid, is spending $52 billion this year. So rapid a rise in defense spending does not allow the business cycle to assert itself.

In time, the business cycle is sure to reassert itself. At the moment, the business cycle is distorted by rapidly mounting defense activity.

Under these conditions, the sensible observer holds neither that the business cycle has been abolished nor that a major depression is sure to start at any moment because prosperity has continued so long. Rather, he will seek to determine whether the inhibiting forces are getting stronger or weaker. He will also analyze what is happening to the cyclical forces, to see if they are getting stronger or weaker. He will then ask the question: "When is the business cycle likely to reassert itself because the inhibiting forces are getting weaker, because the cyclical forces are getting stronger, or both?"

I shall now attempt to do that. First let us look at the inhibiting forces.

Military spending, including foreign aid, has risen steadily from the $18 billion level of 1950 to the current level of approximately $52 billion a year. The increase in security spending is tapering off and is probably about at an end. While we have had conflicting estimates from Washington—as Senator Taft has pointed out—it looks as if a $50 billion level of defense and foreign aid spending is likely to continue for some time to come. In some directions, military spending is being reduced, but it is being increased in other directions. Expenditures for trainer and transport planes are being cut, for example, but they are increasing for fighter planes. I think that symbolizes what is going on in the defense program. These shifts are doubtless for the best, but the net effect is that military spending will be maintained at this high level at least for several years to come. This means that military spending is likely to continue to absorb 15% or so of the gross national product. In many ways it appears the most stable element in our economy for the near future.

A second factor inhibiting the business cycle has been population growth. The population is increasing at a rate of 2,700,000 a year. This will certainly help to moderate a cyclical downturn in the economy.

A third inhibiting factor on the horizon is tax reduction. In the past, wars have been financed chiefly out of borrowings. This cold war is the only major war we have financed just about entirely out of taxes. When a nation finances a war with taxes, tax reduction is certain when military spending can be reduced even to a limited extent. Tax reduction and reform could be a powerful inhibiting factor in the next cyclical downturn.

These are the major inhibiting factors, as I see them. What are the cyclical factors? They are well known. We have overstimulated plant and equipment spending with accelerated amortization. Out of plant and equipment expenditures of about $27 billion this year, some $8 billion will be covered in part by certificates authorizing accelerated amortization. Under an excess profits tax, rapid amortization is a powerful stimulus. I do not think there can be any question but that part of the plant and equipment spending now going on has been borrowed from the future. When the future rolls around, that amount of spending will not be there to sustain the economy.

Home building also has to some extent been borrowed from the future. We are putting up this year approximately 1,100,000 dwelling units, whereas the increase in the number of families in the country will be closer to 700,000. If we continue to produce almost 1½ dwelling units for every new family, since there is a very small replacement demand for housing that means that we are oversatisfying the current increase in the demand for residential space.

In consumer durable goods, as shown by the rapid recent expansion of consumer credit, we are also more than satisfying the recurring rate of demand.

In these three fields, plant and equipment, home building and consumer durables, the cyclical forces making for a recession are getting stronger as backlogs are disappearing and production continues at a level which cannot be sustained.

There are two other fields where cyclical forces favoring a recession may also soon become stronger. Inventories have been expanded to a peak of $75,000,000,000, a rise of $20,000,000 in three years. With any dip in industrial activity, inventories would doubtless be cutback some.

Another is foreign trade. We are exporting about $15 billion of goods and importing about $11 billion. This is made possible by grants and gifts. There can be no assurance that Congress will continue to approve foreign aid at that level. If it is curtailed, our export trade will prove vulnerable.

A ten to twenty per cent drop in durable goods spending by consumers, in plant and equipment spending by industry, and in home building, with the "multiplier effect" this will have on other consumer spending and inventories, could easily produce a 10 to 15% drop in aggregate industrial production. That would mean a drop from the present level of 243 for the index of production of the Board of Governors of the Federal Reserve Board to, say, between 205 to 215—certainly a moderate decline. For particular months, the decline could be greater, of course. But with inhibiting factors, like defense spending getting weaker and the cyclical factors getting stronger, a recession of from 10 to 15% in industrial production is a reasonable expectation. Such a recession could start by the beginning of next year, or a little earlier. Pinpointing the start of a business recession is a useless task, because so many factors will affect the outcome.

After a cyclical recession, what? That is a more important question than when a recession will start, and how severe it will be at the beginning.

Many people say, "Sure, we will have a recession. But it will be short, and then we will soon reach new output peaks."

It is far more logical to expect this recession, when it comes, to be protracted, on the basis of the available evidence. Assuming no major change in the international situation, I do not see any force on the horizon that could bring about a new major upturn in the economy within the reasonably near future. The current long-sustained period of prosperity has not laid the basis for a major depression, but has eliminated the basis for a major recovery within the next few years.

What could give us great new upsurge after a moderate recession? Are there backlogs of demand for housing? Are there backlogs of demand for producers' or consumers' durable goods? Of course there are always the great undeveloped countries abroad, but I am afraid that so long as I live we will not see the investment of billions of American dollars annually in the development of Africa, India and other backward countries because these countries will not be able to repay money invested in them on a huge scale.

It is more the absence of powerful recovery forces than the danger of a severe recession in the near future that requires emphasis.

What would a mild but long-protracted recession mean to the stock market and to investors?

In the past, profits, dividends and stock prices have proved much more vulnerable than business activity to a cyclical downturn. Leaving out the early 'thirties—that was not a cyclical recession, it was a structural catastrophe in our economy — the last substantial cyclical recession was in '37-'38. The declines in profits, dividends and stock prices were greater than the decline in industrial production, and very much greater than the decline in gross national product, which was only 5%.

In our next recession, on the other hand, profits, dividends and stock prices should be considerably less vulnerable than business activity, for a number of reasons.

First, taxes now take nearly 60% of the corporate earnings before taxes. In 1937, they took only a little over 20%. When profits, before taxes, declined a dollar in 1937, profits after taxes dropped about 80 cents. But if profits before taxes were to decline a dollar today, profits after taxes would decline only 40 cents. The highest taxes in history on corporate incomes provide a thick cushion against a decline in net corporate profits.

But in addition tax rates will be reduced in a recession. We have a great to-do today about the extension of the excess profits tax from June 30 to Dec. 31. With a business recession, when inflation is no longer feared, tax reduction is to be expected regardless of the budget position.

A second reason why corporate profits will hold up relatively well in the next recession is that, after so long a period of prosperity with high taxes, managements have been less cost-conscious than they will be in a recession. Many ways are available to reduce expenses in the face of a moderate decline in sales.

The outlook for dividend stability is even better. Between '37 and '38, dividends dropped by 32%. Any such decline in dividends would be very disappointing at the present time. Is it likely? I think the answer to that is a clear no.

First, the undistributed profits tax was in effect in '37, which made dividends doubly vulnerable in a recession.

Secondly, corporations are paying out a little less than 50% of their earnings at the present time. That is a relatively low pay-out compared to 65% in the middle and late 'twenties.

In the third place, with any reduction in personal income

*An address by Dr. Bogen before the Association of Customers' Brokers, New York City, May 21, 1953.

taxes—and above all, with any credit granted dividend income—managements will be under more pressure for stockholders to adopt more liberal dividend policies than has been the case in recent years of very high personal income taxes.

Stock prices also should be relatively more stable in a recession. For one thing, the price-earnings ratio is relatively moderate. The 125 industrials included in Moody's index sold at an average of 9½ times earnings at the end of 1952. In 1929, listed stocks sold at an average of over 16 times earnings.

A moderate price-earnings ratio and relatively stable earnings and dividends should cause stock prices to be less vulnerable than usual in a business recession.

Stock prices will tend to be stabilized further by the growing institutional interest in equities and by a revival of stock purchases by higher bracket investors for income if a credit, even a small credit to begin with, is granted dividend income in personal income tax returns to lessen double taxation of corporate income distributed as dividends.

Stock prices, let me say in conclusion, will fluctuate with business conditions as they have in the past. But in the next recession, for the several reasons discussed, I believe the stock market will prove relatively less vulnerable than in any previous cyclical depression we have experienced.

The State of Trade and Industry

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

Little change was noted in over-all industrial production for the nation-at-large for the period ended on Wednesday of last week from the near-record level of the prior period. Compared with a year ago the level was moderately higher.

Particularly active were manufacturers of consumer durables, industrial equipment and armaments. The production of crude oil was appreciably above a year ago when labor-management discord hampered output.

Steel ingot production the past week slipped to 99.8% (revised) of capacity, or a decline of more than three points from the all-time high reached two months ago.

Industrial activity remained high in May, states a current monthly survey of the National Association of Purchasing Agents. New orders, however, continued to taper off, it notes. The buying executives expect June to be the top production month of the year as factories schedule all shipments possible prior to the summer vacation period. A majority of the agents interviewed predicted business would continue strong through September. They also foresaw no sharp change in prices.

The United States Department of Commerce currently reported that business activity is maintaining "boom" proportions. Incoming orders of manufacturing firms, it stated, are keeping pace with the high rate of sales, so that producers continue to hold large backlogs. It declared that sales and production have been "in the main" roughly equal, so that additions to inventories this year have been "comparatively small."

Following a seven-month rise employment of non-farm workers has shown a leveling off tendency, according to a report of the Bureau of Labor Statistics of the United States Department of Labor. "Between March and April—for the second consecutive month—non-farm employment changes were primarily seasonal," the Bureau stated. "This contrasted with the uptrend, after allowance for seasonal factors, reported each month since last July."

Jobholders in non-agricultural lines on April 15 numbered 48,800,000, a record for the season. This was 139,000 above March 15, and 1,300,000 higher than a year earlier. The gain over the preceding month reflected mainly the normal-spring rise in construction work.

Inventories of the major steel users are still far below normal and badly unbalanced, "The Iron Age," national metalworking weekly, states this week. Those who have been putting on the hottest pressure for steel—the automotive and appliance industries—are still unsatisfied. They report inventories ranging from 15 to 30 days' supply, which is a long way from normal at today's production pace.

The facts behind the inventory picture show, according to this trade magazine, that steel is still a limiting factor in Detroit, particularly in auto body plants. High-priced foreign and conversion steel is still a major factor in keeping up operations of "The Big Three." Strikes in auto parts suppliers' shops could ease raw materials and tighten the parts supply outlook. At least one automotive "independent," this trade paper notes, is cutting back on conversion and other "penalty" steel for the third quarter.

In the appliance field one of the largest manufacturers has been using steel as fast as it can get it, and is in no mood to relax steel buying pressure. Five appliance companies which do the bulk of the business report average inventories at about 30 days overall. These companies are down to 15 days or less on some components and strike-caused automotive slowdowns are being seized upon by appliance people as grounds for hope for more steel, but Detroit won't relax the pressure. The possibility of a steel strike is not being overlooked by any purchasing agents but the dilemma is how much premium price steel they can afford to buy as a hedge, "The Iron Age" declares.

Steel firms interviewed by "The Iron Age" this week saw no possibility of any substantial slackening of demand until the fourth quarter.

Contrary to ill-timed reports pointing to a serious downtrend of appliance production, this industry is maintaining high output with but few exceptions. Hotpoint President John C. Sharp told "The Iron Age," his sales are outstripping last year's by 90%. Other firms expect to outproduce 1952, in itself a profitable year.

A weathervane of consumer buying interest, appliance sales

Continued on page 33

Formosa and the Far East

By HARRY A. BULLIS

Chairman of the Board, General Mills, Inc.

Mr. Bullis, as Chairman of group of businessmen, who visited Formosa and the Far East at the request of Mutual Security Administrator Stassen, reports the results of their findings. Finds Formosa possible means of breaking Communist hold on China and urges improving economic and military potentiality of the Island. Also advocates continuing economic assistance to free countries of Far East, and creation of an integrated trade and economic program among the free Asian countries. Sees need of new concept to encourage private foreign investment.

No one who travels a few weeks in the Orient can come back with a solution to all of the problems in the Far East. As one who has returned recently from a month's trip to Formosa, I can truthfully say it is impossible to arrive at ultimate conclusions from such a brief journey. On the other hand, I can also say that it is possible to summarize the opinions of others and my own observations.

Harry A. Bullis

My comments will be a summary of the thinking of the political, military, business, and man-in-the-street personalities with which we came in contact along the way. Many of my remarks will be personal, but these are, of course, subject to the security and other limitations imposed by the short time and scope of our survey. My statements are not necessarily the opinions of the other individuals who accompanied me.

Shortly after the inauguration of President Eisenhower, 11 businessmen were asked by Harold E. Stassen, Mutual Security Administrator, and Clarence Francis to head teams going to as many foreign countries to investigate conditions and study the operations of the Mutual Security program.

I headed the team to Formosa. I was fortunate in securing the services of men with varied experience, much of it in the Far East. The members of my team were:

- Dr. Raymond T. Moyer of the Ford Foundation, former head of ECA on Formosa.
- Major General W. Arthur Worton, retired Marine Corps General and former Chief of Police of Los Angeles.
- Judge Norwood Allman, former Consul at Shanghai and long-time lawyer in China, and
- Clinton Morrison, President of Morrison Holding Company of Minneapolis.

We left San Francisco in the middle of February, 1953, and returned to that same port 31 days later. Our trip was all by air, and totaled some 25,000 miles. While it was a strenuous trip, it was interesting, and I hope it was worthwhile.

While in Formosa, our Evaluation Team received the utmost cooperation and help from Ambassador Karl L. Rankin; Major General William C. Chase, Chief of Military Assistance Advisory Group, Formosa, and Hubert G. Schenck, Chief of MSA.

Formosa (Taiwan)

Now for a quick picture of Formosa. The island is 325 miles long and from 60 to 90 miles wide. Its area is 13,800 square miles. By comparison, Minnesota has 84,000 square miles. Formosa is therefore only one-sixth the size of Minnesota. It is approximately as large as the States of Vermont and Connecticut combined.

However, only one-fourth of Formosa is arable and can be cultivated. A chain of mountains extends down the eastern coast of the island. The plain on the western coast does not exceed 20 miles in width. There is a small rich plain on the eastern coast; however, in most place on that coast the mountains have high cliffs and drop down vertically to the sea.

Formosa must support a population of approximately 9,000,000 people. Minnesota has less than 3,000,000 for the whole state. The populations for the States of Vermont and Connecticut together total a little less than 2,400,000.

It is from 90 to 110 miles across the Formosa Strait to the Mainland of China. The waters in the Strait are usually rough.

Formosa was ceded by China to Japan in 1895, after the Chinese-Japanese war. For 50 years, the Japanese developed the island as a colony of Japan. Formosa was restored to China in 1945, following Japan's defeat in World War II. In December, 1949, it became the last stronghold of National China following the evacuation of that government from the China Mainland. At that time, the Republic of China established its seat of government at the capital city of Taipei, at the northern end of Formosa.

At present, Formosa has two levels of government—the Provincial Government, which locally administers the island as a province of China, and the National Government, which formulates over-all policy. These two governments operate side by side.

The Island of Formosa confronts the Communist troops on the mainland of China and is in a strategic position between the Red armies in Korea and the Communist forces attacking Indochina and Malaya.

The name Formosa means "Beautiful Island." The island is called by the Chinese and Japanese alike, Taiwan, which means "Terraced Bay."

Mount Morrison, one of the highest mountain peaks in the islands of the Far East, is over 14,000 feet high and is surrounded by high ranges. It stands nearly under the Tropic of Cancer, which is the northernmost latitude reached by the overhead sun. In the center of the Island of Formosa is a tower which marks the Tropic of Cancer. This means that the northern part of the island is in the Temperate Zone, and the southern part in the Torrid Zone.

The climate is damp. Formosa has very heavy rainfall, as much as 200 inches a year.

In the north, the driest and best months are the three late fall months, October, November and December. In the south, the best months are January, February and March. When we were there in February and March, it was winter in the north and summer in the south.

Our team toured the island inspecting sugar plantations and mills, farms, health centers, fertilizer plants, a cement plant, an aluminum plant, dockyards, harbors and arsenals. Industrial development is being emphasized on Formosa, especially the production of a number of items which had previously been supplied by the Japanese, such as textiles and chemical fertilizers. The Formosan textile industry now has in operation nearly 130,000 spindles where practically none existed prior to the war. Chemical fertilizer production has reached over 135,000 tons annually, as compared to about 30,000 tons in 1941.

Rice is Formosa's principal farm crop. About 3,000,000 persons—approximately one-third of the population—are engaged in rice growing. The value of rice produced represents approximately 60% of the total value of all crops raised on Formosa. In 1952, rice exports totaled $24 million as compared with $14.5 million in 1951.

Sugar and rice are Formosa's largest foreign exchange earners, accounting for 58% and 20%, respectively, of total export value in 1952.

Production of many other principal farm products has been at

Continued on page 36

"OBSERVATIONS"

A. Wilfred May is in Europe investigating economic phases of the East-West situation.

Gulf-International Oil Stream

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A brisk survey of a surging company with a notable record of plowing back petroleum profits into more petroleum.

Despite the fact that, since last July, the oils, as a group have lost a little market luster, for a decade before that they habitually outpaced the general market. Both among trusts, and individuals, so well established was the petroleum preference, that many standard portfolios had 15% invested in oils (and natural gases) and some as high as 25%. And quite frankly, today, there is no logical reason to feel that favoring the oils is the part of financial folly.

Ira U. Cobleigh

It is true that the rate of growth of oil consumption for 1952, over 1951 — about 4% — was quite a notch below per-year increases averaging over 9½% from 1946 to 1951. Then, too, some have suggested that overproduction might rear its ugly head, if the inscrutable Iranians got back into regular production. Maybe so, but that would take months at the earliest, even if old "Mossy" switched from enigma to economist this instant!

Others feel that inventories of gasoline and fuel oils, up roughly 9% from last year, may usher in a period of lesser earnings and more competition in this industry; factors which might find reflection in lower prices for oily equities.

The optimists among us counter the above wisps of gloom by opining that six million more cars, trucks and buses will hit the road this year, that dieselization of railroads is importantly expanding demand; that aircraft, and particularly fuel hungry jets, are steadily enlarging the market; and finally that this new petrochemical deal for production of synthetics offers a fabulously large outlet for petroleum in liquid and vapor form. Personally I prefer to string along with the opining optimists. A rather decent case can currently be made for a constructive attitude towards the oils, particularly the big integrated ones; and a glimpse at Gulf at this juncture may not be amiss.

Gulf Oil Corporation

Gulf Oil Corporation is an old and honored one, and ranks importantly among the international companies, with assets of over $1,600,000,000 and daily production (1952) of 689,360 barrels. That sounds awful big and it is. But a key to the Gulf story is found in the fact that of the above barrelages, only 223,500 was surfaced in the U. S. The rest came from Gulf's quite exciting overseas holdings.

Let's start with Kuwait. You've probably read something about it in "Fortune" or the "Readers's Digest." It's such lush oil country that if you brought in a 100-barrel-a-day well (which would be good hunting in Saskatchewan), they'd throw it back like a five inch trout! For example, Gulf's slice of Kuwait's daily production is now thought to be about 380,000 barrels from perhaps 150 wells. Figure out the per-well take, and you'll see how prolific are the sands of Araby. Total reserves of Kuwait have been estimated as high as 20 billion barrels—and Gulf has a 50% interest. These underground assets plus all the implementing investments—pipelines, docks and a 30,000-barrel refinery—must conservatively be worth over a quarter of a billion dollars to Gulf shareholders; yet they were acquired and developed almost entirely by retained earnings.

Company's Other Producers

Revolving the globe a bit, we find Gulf has some Canadian production of around 9,100 barrels a day presently. That's peanuts compared to Kuwait, but this oil doesn't have to travel thousands of ocean miles, and output and prospects seem to be looking better with each passing day. With its proven areas in the Pincher Creek district, daily production in Canada this year may perhaps run to 11,500 barrels; and this takes no account of Gulf undrilled land amounting to some 400,000 acres in Manitoba and nearly a million in Saskatchewan.

Gulf is a significant producer in Venezuela with its Mene Grande field reserves rated at close to 600 million barrels. Then, of course, there's big U. S. production in Texas, the Panhandle, New Mexico, Wyoming, and bright drilling prospects in Montana. Altogether, total U. S. Gulf properties exceed 13,700,000 acres, and that, plus 6,350,000 of acres and options in Canada, gives plenty of coverage for further strikes of oil in favorable and widespread geological zones. So much in brief for the production end.

About refining, Gulf ranks among the biggest, with vast installations in Port Arthur and Philadelphia. The new ethylene plant at Port Arthur is among the world's largest. If you're a tourist, you'll find attractive Gulf stations spread broadly throughout our land. I'm not sure about this, but my impression is that Gulf had the pioneer American filling station in Pittsburgh back in 1908. In any event "Good Gulf" is a pretty well established trade name to millions of motorists.

Increased Earnings Expected

Certain general conclusions emerge from a current analysis of Gulf. First, Gulf is not only a far-flung enterprise but it has, on the record, a wonderful nose for oil. It's a big factor in all the world's major oil bearing areas. Second, it has plowed back from earnings, since the end of World War II, a sum of money roughly equal to the total current market value of its common stock. Three, its earnings should increase from the expansion (now in progress) of its Philadelphia refinery from 100,000 to 175,000 barrels a day; and from its controlling interest in the new West Texas Gulf Pipe Line—rated, on completion, as the biggest capacity oil-line in America. Fourth, unlike some of its competitors, Gulf has on its horizon no visible need for raising capital funds. Present long-term debt of $185 million is slight in relation to $1½ billion of assets, and current working capital, above $350 million, does not indicate any urgent knock on the doors of the Mellon National Bank.

Which brings up management. Gulf is, of course, a Mellon company; and a highly discernible quality of all enterprises bearing the Mellon label is management competence. Chairmaned by S. A. Swenrud, Gulf is equipped with an echelon of executives, highly efficient, and well paid to do their jobs well. A company could not have prospered and burgeoned, as Gulf has done, with a bunch of second raters calling the plays.

A Quality Stock

Now about the common stock, it's a quality item, definitely. It earned $6.01 on each of the 25,598,120 shares outstanding in 1952, and paid $2, plus 4% in common. In 1936, and again in 1951, there were 100% stock dividends. Down from a high of 59 in 1952, Gulf, presently around 46 (less than eight times earnings), presents values that may perhaps be less than fully measured by today's price tag. If, for instance, you would attach a value of, say $20 a share for all of Gulf's foreign holdings—Kuwait, Venezuela and Canada — most competent analysts would not criticize you for over-optimism. Such a rough estimate (and it is nothing more than that) would leave $26 a share for Gulf's U. S. properties. Riffle through the last annual report and see if you don't think these ought to be worth $26 a copy. Decide, too, whether seven and a half times earnings overtells the Gulf story.

Of course, in our troubled world today, many people are inclined to discount heavily property so remote as Kuwait, what with all the surrounding political ferment in Egypt, Arabia and Iran. The answer to those of this mind seems to be that these assets appear, today, to be discounted in the market for most of the hazards short of war. You must decide for yourself if this discounting has been overdone here. Get the latest facts, and conceivably, you many conclude that even your own stellar collection of equities might, some day, be brightened by the addition of Gulf common, which is traded on the New York Stock Exchange.

Edw. T. McCormick to Lecture at Cornell

Edward T. McCormick, President of the American Stock Exchange, has been appointed a special lecturer in finance at the School of Business and Public Administration of Cornell University. The lectures will be given by Mr. McCormick on two or three week-ends during the academic year beginning September, 1953.

E. T. McCormick

John R. Lewis, Inc. In New Quarters

SEATTLE, Wash. — John R. Lewis, Inc. will move on May 29 to larger and more elaborate quarters in the Insurance Building. Mr. Lewis has been in the investment business in Seattle for more than 20 years.

The Challenge to Business Enterprise

By ROY L. REIERSON*

Vice-President, Bankers Trust Company, New York

Holding it would not be surprising if lower business activity developed before year's end, Dr. Reierson urges business managers adopt policies which moderate the extent and duration of the adjustment. Cites some factors of economic weakness, and points out business fluctuations can be a healthy corrective, if businessmen plan their programs soundly on a long-range basis. Points out people are now more conscious than formerly of their stake in the free enterprise system.

Once again, in the midst of full employment and good business conditions, we are beset by a wave of doubts concerning the future of our economy. At present, we are still riding the crest of a boom which for length and strength has no precedent in our modern history. It is almost 15 years ago since the economy first began to feel the effects of defense orders placed in anticipation of the coming World War; since then, our national income, our national output and many other indicators of business activity have been in a rising trend which has carried them to ever new high marks. Although individual industries have encountered some problems from time to time, none of the readjustments have been so sharp or widespread as to impair our general prosperity; even the business downturn of 1949 was in retrospect hardly more than a pause in the broad upward sweep of the postwar years. Furthermore, beginning with the late summer of 1952, our economy has demonstrated its continuing strength by a renewed vigorous upsurge; industrial production today stands at 25% above the level of the initial postwar boom of 1948 and 10% above the peak of the production boom of 1951 which followed the outbreak of war in Korea.

Roy L. Reierson

Some weeks ago, however, the prospects of an improvement in the international outlook released a wave of questioning and reappraising of economic prospects for the period ahead and some concern for the underpinnings that currently support the high rate of business activity. Furthermore, even in the absence of any basic improvement on the foreign scene, forces appear to be at work in our economy which suggest a downturn in the not too distant future. If this appraisal should be accurate, business management may be facing a more critical test than any it has experienced in the recent period of sustained expansion.

As we read the history of our times, it is apparent that business enterprise has acquired functions and responsibilities which presuppose that it evidence more than merely a passive response to changing conditions. If the American enterprise system is to demonstrate its ability to cope with the economic problems of the present age, it must provide the dynamic energy for a sustained high level of economic activity without the goad of inflation, which has characterized much of the long boom. It is to this end that we must explore the factors that affect the probable course of our economy in the period ahead: not simply that business management may prepare to expand if prospects appear favorable and curtail its operations when the outlook is poor, but that we may better consider the steps that need to be taken in order to contribute to the sustained high levels of employment and production which have become the economic, social, political and even military postulates of our times.

The Outlook for Business Activity

In appraising the economic outlook, it is significant to recall that the cardinal stimulation of the past one-and-a-half decades has been provided by preparations for war, the conduct of war, and the fulfillment of demands deferred by war. The latter has perhaps been the most powerful and sustained force; not only did we enter World War II without having made good the deficiences in business equipment, housing and public facilities accumulated in the Great Depression, but the war years themselves added greatly to the backlog of demand in these items and in consumer durable goods. Furthermore, the huge deficit financing of the war resulted in a tremendous growth of individual and business holdings of liquid assets which were put to use in the postwar years, with a resultant rapid increase in prices.

The hostilities in Korea brought a renewed upturn in military requirements; defense spending increased from about $15 billion a year in 1950 to an annual rate of more than $45 billion in early 1952 and has risen moderately further since then. This $30 billion growth in military spending is more than the total likely to be spent by all American business on plant and equipment in 1953. It is about as much as the current rate of public and private construction. It is probably more than twice the retail value of all passenger cars produced in 1952. Yet in spite of this great increase in the takings of goods and services by the defense establishment, there have been no shortages of real consequence to the economy and, except for the speculative surge in late 1950 and early 1951, no acute inflationary pressures.

This graphically illustrates the great productive capacity of the American industrial plant. At the same time, it suggests that we face some real problems in keeping this productive plant reasonably fully occupied in the future, especially since only a few of the major factors that have stimulated the economy during the past 15 years show signs of further strength for a prolonged period, while a number are displaying unmistakable symptoms of having reached maximum levels.

Government Spending — Unless the international situation should take a turn for the worse, the rate of defense spending is currently around its peak and will probably decline in the months ahead. For the present, at least, the rate of cutback will probably be fairly modest; the outlook is for a gradual downdrift in defense spending, not for a sharp curtailment.

Continued on page 30

*An address by Dr. Reierson before the Conference on Industrial Management, sponsored by the Greater Boston Chamber of Commerce, Boston, Mass., May 15, 1953.

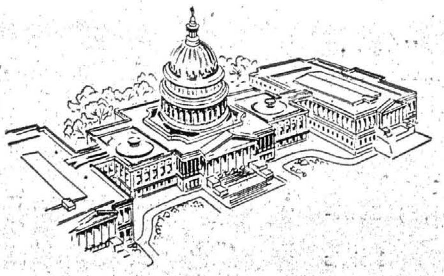
New Issues

$122,515,000

New Housing Authority Bonds

The Bonds of each issue will be secured by a first pledge of annual contributions unconditionally payable pursuant to an Annual Contributions Contract between the Public Housing Administration and the Local Public Agency issuing said Bonds in the opinions of bond counsel. Said annual contributions will be payable directly to the fiscal agent of said Local Public Agency in an amount which, together with other funds of the Local Public Agency which are actually available for such purpose, will be sufficient to pay the principal of and interest on the Bonds when due.

The United States Housing Act of 1937, as amended, solemnly pledges the faith of the United States to the payment of the annual contributions by the Public Housing Administration pursuant to the aforesaid Annual Contributions Contracts.



Quotation from an opinion of the Hon. Herbert Brownell Jr., Attorney General of the United States, to The President of the United States, dated May 15, 1953.

"IN SUMMARY, I AM OF THE VIEW THAT: * * * A CONTRACT TO PAY ANNUAL CONTRIBUTIONS ENTERED INTO BY THE PHA[1] IN CONFORMANCE WITH THE PROVISIONS OF THE ACT[2] IS VALID AND BINDING UPON THE UNITED STATES, AND THAT THE FAITH OF THE UNITED STATES HAS BEEN SOLEMNLY PLEDGED TO THE PAYMENT OF SUCH CONTRIBUTIONS IN THE SAME TERMS ITS FAITH HAS BEEN PLEDGED TO THE PAYMENT OF ITS INTEREST-BEARING OBLIGATIONS."

[1] Public Housing Administration. [2] United States Housing Act of 1937, as amended.

Interest Exempt, in the opinion of counsel to the Underwriters, from Federal Income Taxes by the provisions of the United States Housing Act of 1937, as Amended.

Legal Investments, in the opinion of counsel to the Underwriters, for Savings Banks and Trust Funds in New York and certain other States; except as noted below.*

Bonds Issued by Local Public Agencies which are located in:

2¾% Scale A

$ 930,000	Greenwich, Conn.
1,700,000	Norwalk, Conn.
2,565,000	Waterbury, Conn.
1,265,000	Binghamton, N. Y.
1,160,000	Plattsburgh, N. Y.
1,625,000	Easton, Pa.
835,000	Lycoming County, Pa.
1,735,000	Montgomery County, Pa.

2¾% Scale B

$15,190,000	Denver, Colo.
1,075,000	Rock Island, Ill.

2¾% Scale B

$ 1,505,000	Lawrence, Mass.
1,240,000	Lowell, Mass.
1,815,000	Malden, Mass.
1,230,000	Medford, Mass.
995,000	Dover, N. H.

2⅞% Scale C

$ 755,000	Monterey County, Cal.
1,295,000	Pueblo, Colo.
11,180,000	Tampa, Fla.
3,120,000	Savannah, Ga.

2⅞% Scale C

$ 3,465,000	Gary, Ind.
2,815,000	Covington, Ky.
1,335,000	Hopkinsville, Ky.
3,225,000	Owensboro, Ky.
1,095,000	Richmond, Ky.
1,150,000	Cumberland, Md.
9,145,000	Providence, R. I.
3,570,000	Woonsocket, R. I.
2,885,000	Chattanooga, Tenn.
1,665,000	Fort Worth, Tex.
13,170,000	San Antonio, Tex.
875,000	Waco, Tex.
1,140,000	Bristol, Va.

3% Scale D

$ 2,450,000	Anniston, Ala.
2,235,000	Decatur, Ala.
835,000	Opelika, Ala.
950,000	Sylacauga, Ala.
660,000	Carrollton, Ga.
780,000	Moultrie, Ga.
850,000	Thomasville, Ga.
2,375,000	Valdosta, Ga.
9,435,000	Capital of Puerto Rico
775,000	Gaffney, S. C.
820,000	Lebanon, Tenn.
1,640,000	Brownsville, Tex.
895,000	McAllen, Tex.
1,065,000	Paris, Tex.

* The Bonds of the local public agency located in the Capital of Puerto Rico are the only exception to the above statement on Legal Investments.

Maturities, Rates, Yields and Prices

Year Due	Scale A 2¾%	Scale B 2¾%	Scale C 2⅞%	Scale D 3%
1954	1.40%	1.40%	1.45%	1.50%
1955	1.50	1.50	1.55	1.60
1956	1.60	1.60	1.65	1.70
1957	1.70	1.70	1.75	1.80
1958	1.75	1.75	1.80	1.85
1959	1.80	1.80	1.85	1.90
1960	1.85	1.85	1.90	1.95
1961	1.95	1.95	2.00	2.05
1962	2.05	2.05	2.10	2.15
1963	2.10	2.15	2.20	2.25

Year Due	Scale A 2¾%	Scale B 2¾%	Scale C 2⅞%	Scale D 3%
1964	2.15%	2.20%	2.25%	2.35%
1965	2.20	2.25	2.30	2.40
1966	2.25	2.30	2.35	2.45
1967	2.30	2.35	2.40	2.50
1968	2.35	2.40	2.45	2.55
1969	2.40	2.45	2.50	2.60
1970	2.45	2.50	2.55	2.65
1971	2.50	2.55	2.60	2.70
1972	2.55	2.60	2.65	2.75
1973	2.60	2.65	2.70	2.80

Year Due	Scale A 2¾%	Scale B 2¾%	Scale C 2⅞%	Scale D 3%
1974	2.65%	2.70%	2.75%	2.85%
1975	2.70	@ 100	2.80	2.90
1976	2.70	@ 100	2.85	2.95
1977	@ 100	2.80	@ 100	@ 100
1978	@ 100	2.80	2.90	@ 100
1979	2.80	2.85	2.95	@ 100
1980	2.85	2.90	3.00	@ 100
1981	2.85	2.90	3.00	@ 100
1982	2.85	2.90	3.00	@ 100
1983	2.85	2.90	3.00	@ 100

(and accrued interest)

The Bonds of each issue will be callable ten years from their date, and thereafter, as stated in the Offering Prospectus.

The Bonds are being offered, subject to award, when, as and if issued and received by us, and subject to approval of legality, with respect to each issue, by bond counsel to the underwriters. The offering is not made hereby, but only by means of the Offering Prospectus, copies of which may be obtained from such of the undersigned and other underwriters as are registered dealers in this State.

Phelps, Fenn & Co. Lehman Brothers Blyth & Co., Inc. Shields & Company The First Boston Corporation Goldman, Sachs & Co. Harriman Ripley & Co. Incorporated Smith, Barney & Co. R. W. Pressprich & Co.

Drexel & Co. Eastman, Dillon & Co. Equitable Securities Corporation Merrill Lynch, Pierce, Fenner & Beane Stone & Webster Securities Corporation White, Weld & Co. Bear, Stearns & Co.

A. C. Allyn and Company Incorporated Alex. Brown & Sons Coffin & Burr Incorporated Estabrook & Co. Ira Haupt & Co. Hemphill, Noyes & Co. Hornblower & Weeks Lee Higginson Corporation F. S. Moseley & Co.

Paine, Webber, Jackson & Curtis Reynolds & Co. Schoellkopf, Hutton & Pomeroy, Inc. American Securities Corporation Bacon, Stevenson & Co. Braun, Bosworth & Co. Incorporated R. S. Dickson & Company Incorporated

First of Michigan Corporation Harris, Hall & Company (Incorporated) Hirsch & Co. Kean, Taylor & Co. Wm. E. Pollock & Co., Inc. L. F. Rothschild & Co. Tucker, Anthony & Co. Wood, Struthers & Co. A. G. Becker & Co. Incorporated

Francis I. duPont & Co. Eldredge & Co. Incorporated Folger, Nolan Incorporated Paul Frederick & Company Geo. B. Gibbons & Company Incorporated Gregory & Son Incorporated Hallgarten & Co. E. F. Hutton & Company W. E. Hutton & Co.

MacDonald & Company Laurence M. Marks & Co. Roosevelt & Cross Incorporated F. S. Smithers & Co. William R. Staats & Co. Stern Brothers & Co. Stroud & Company Incorporated Chas. E. Weigold & Co. Incorporated

May 27, 1953

Dealer-Broker Investment Recommendations & Literature

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

Area Resources—Booklet—Utah Power & Light Co., Dept. K., Box 899, Salt Lake City 10, Utah.

Automobile Industry—Review—Stern, Frank, Meyer & Fox, Union Bank Building, Los Angeles 14, Calif. Also available are reviews of **Aircraft Industry** and **Municipal Bonds.**

Depressed Stocks—45 selected equities now quoted well below their 1951-1953 peaks—Francis I. duPont & Co., 1 Wall Street, New York 5, N. Y.

Electric Utilities in 1953—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Fire & Casualty Insurance Stocks—1952 earnings comparison—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Insurance Stocks—Annual comparative analysis—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

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

Winning in Wall Street—Advice on buying and selling and explanation of three "T's" necessary for success (timing, technique, and tenacity) plus a list of "forever" common stocks and 20 speculative hopefuls—Ira U. Cobleigh—David McKay Company, Inc., Dept. 4, 225 Park Avenue, New York 17, N. Y.—$2.

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American-Hawaiian Steamship Company—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Bettinger Corporation—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass. Also available is an analysis of **Scott & Williams, Inc.**

Bingham Herbrand Corporation—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Bucyrus-Erie Co.—Analysis—Hirsch & Co., 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Pacific Petroleums Ltd.**

Chicago & Eastern Illinois Railroad—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Dewey & Almy Chemical Co.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Time, Inc.**

Getchell Mine, Inc.—New report No. CF—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available are reports on **National Container Corp., Ed. Schuster & Co., Inc., Wisconsin Power and Light Company** and **Shellmar Products Corporation.**

Holly Corporation—Bulletin—W. Keyser Manly, 11 West 42nd Street, New York 36, N. Y.

Jewel Tea Company—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available are data on **Minnesota Mining & Manufacturing Co.**, and analyses of **Consolidated Engineering Corp., General Precision Equipment Corp.**, and **A. M. Byers Co.**

Kendall Co.—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Lear, Inc.—Memorandum—Rogers & Tracy, Inc., 120 South La Salle Street, Chicago 3, Ill.

Mengel Co.—Analysis—F. S. Moseley & Co., 14 Wall Street, New York 5, N. Y.

New York Central Railroad—Memorandum—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Noranda Oil Corporation—Descriptive literature—B. S. Lichtenstein & Co., 99 Wall Street, New York 5, N. Y.

North American Acceptance Corporation—Report—J. G. White & Company, Inc., 37 Wall Street, New York 5, N. Y.

Phillips Petroleum Company—Card memorandum—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

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

Scranton-Spring Brook Water Service Co.—Memorandum—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Southern Railway Company—Data—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. In the same circular are data on **Union Pacific Railroad Company, Western Maryland** and **Western Pacific Railroad** and a comparison of **Railroad Common Stock Values 1946 vs 1952.**

Southwestern States Telephone Co.—Memorandum—Central Republic Co., 209 South La Salle Street, Chicago 90, Ill.

A. E. Staley Manufacturing Company—Analysis—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Trans Mountain Oil Pipe Line Company—Analysis—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y. Also available is an analysis of the **White Pass and Yukon Corporation, Ltd.**

Utana Basins Oil—Information—W. D. Nebeker & Co., Pacific National Life Building, Salt Lake City 10, Utah. Also available is information on **Ute Royalty and English Oil.**

Vacuum Concrete Corporation — Analysis — Heimerdinger & Straus, 50 Broad Street, New York 4, N. Y.

Wheeling Steel — Analysis — Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of May 21, 1953 is as follows:

Team:	Points
*Hunter (Capt.), Klein, Weissman, Murphy, Searight	54
*Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid	54
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	52½
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	49
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen	48
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold	47½
Bean (Capt.), Frankel, Strauss, Nieman, Bass, Krassowich	46½
Growney (Capt.), Craig, Fredericks, Bies, McGovern	46
Goodman (Capt.), Smith, Valentine, Meyers, Farrell, Brown	41
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	38
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	32½
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard Corby	32

200 Point Club

Joe Donadio	234
Roy Klein	209
Ed Whiting	203
Leinhard	212-202
W. Krisam	207

5 Point Club

Cy Murphy

*The Second Half ended in a tie and a play-off will take place to decide the winner.

Annual Bowling League Dinner will take place on June 4, 1953 at the Antlers. Let us all turn out for it.

SECURITY TRADERS ASSOCIATION OF CONNECTICUT

The summer party of the Security Traders Association of Connecticut is to be held at Shuttle Meadow Club in New Britain, Conn., on June 5.

COMING EVENTS

In Investment Field

May 29, 1953 (Los Angeles, Calif.)
Bond Club of Los Angeles annual field day at the Wilshire Country Club.

June 1, 1953 (Chicago, Ill.)
Midwest Stock Exchange Annual Election.

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

June 2, 1953 (St. Louis, Mo.)
Illinois Bankers Association 62nd Convention at the Hotel Jefferson.

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

June 4-5, 1953 (Boston, Mass.)
Boston Security Analysts Society annual meeting and New England Regional meeting at the Harvard Club, June 4, followed by field trips in the Providence area June 5.

June 5, 1953 (Baltimore, Md.)
Bond Club of Baltimore annual outing at the Elkridge Club.

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

June 5, 1953 (Connecticut)
Security Traders Association of Connecticut summer party at Shuttle Meadow Club.

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

June 5-7, 1953 (San Fran., Calif.)
San Francisco Security Traders Association Spring Party.

June 9-12, 1953 (Bigwin, Ontario, Canada)
Investment Dealers' Association of Canada Annual Convention, Bigwin Inn, Lake of Bays District.

June 12, 1953 (New York City)
Municipal Bond Club of New York Annual Field Day at the Westchester Country Club and Beach Club, Rye, N. Y.

June 12, 1953 (New York City)
New York Society of Security Analysts spring festival at the Sleepy Hollow Country Club.

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

June 16, 1953 (Detroit, Mich.)
Securities Trades Association of Detroit & Michigan summer outing at the Plum Hollow Country Club.

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

June 19-21, 1953 (Los Ang., Calif.)
Security Traders Association of Los Angeles annual spring party at the Arrowhead Lodge, Lake Arrowhead, Calif.

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

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

June 28-30, 1953 (Santa Barbara, Calif.)
California Group of Investment Bankers Association second annual conference at the Santa Barbara Biltmore.

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

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

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

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

Samuel I. Gold to Join Lapham & Co.

Samuel I. Gold

Samuel I. Gold, for many years a partner in Lilley & Co., and manager of their New York office, will become associated with Lapham & Co., 40 Exchange Place, New York City, as of June 1. Lilley & Co. will discontinue their New York office on the same date.

Ralph Robey to Join Wertheim & Co.

Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, announced that as of Monday, June 1, Ralph Robey will become associated with the firm in charge of research. Mr. Robey was previously financial editor of the New York "Evening Post" from 1931 until 1933; contributing editor of the "Washington Post" 1933 to 1935; associate editor and writer of a column for "Newsweek," 1937 to 1946, and more recently, Vice-President and chief economist of the National Association of Manufacturers from 1946 to 1953.

Joins Laidlaw Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Richard N. Ober is now affiliated with Laidlaw & Co., 80 Federal Street.

No Slump Ahead!

Harlow H. Curtice, President of General Motors, tells shareholders, even with Korean truce, defense expenditures will continue. For longer term outlook, says our country is not dependent on war or defense expenditures.

In his remarks to General Motors' shareholders at Wilmington, Del., on May 22, President Harlow H. Curtice expressed the view that a truce in Korea will have no adverse effect on business, and defense expenditures will not be immediately and severely curtailed.

"There are some who appear to believe that a truce in Korea will have an adverse effect upon business," Mr. Curtice stated, adding "I do not subscribe to this point of view—and, judging by recent statements of members of the Administration in Washington, I appear to be in good company.

"General Motors holds substantial defense contracts. We recognize our obligation to the nation in time of need to assume any defense load we are qualified to handle. We did this in World War II. We are doing it currently to the extent required and will continue to do so as long as the need exists despite the fact that the return on dollar sales of defense products is considerably less than is the case with civilian products. We would be very happy to devote more of our facilities to making more civilian products instead of tanks, guns, ammunition and planes. We firmly believe that the progress of our country must be measured in terms of goods and services produced for the benefit of the consuming public.

"The belief that a truce will be bad for business seems to be based on the assumption that defense expenditures will be immediately and severely curtailed. This assumption does not take into consideration the large balance of unexpended defense commitments — which amounted to about $85 billion as of January 1. We ourselves, for example, have several large defense projects which have been in the make-ready stage and are just now getting into production.

"Even if the present attitude of the Soviet Union should result in cessation of hostilities in Korea—and I sincerely hope it will—I believe it would have very little influence on the rate of military expenditures throughout the remainder of this year. These defense outlays are currently at an annual rate of approximately $50 billion.

"As for the longer term, the prosperity of our country is not dependent on war or defense expenditures. The backlog of needed municipal and state improvements is huge. War and defense requirements have forced postponement of work on schools, hospitals, highways and other important and necessary projects.

"Furthermore, to the extent that defense expenditures can safely be reduced, there should be a corresponding reduction in Federal taxes. This will release funds for consumer spending and for other purposes.

"The American people have a continuing appetite for new products. Aggressive salesmanship has stimulated their appetite in the past. I am sure it will continue to do so in the future."

New SEC Appointments Mean End of Staff Rule

By LESLIE GOULD

Financial Editor, New York "Journal-American"

(Reprinted with permission from the New York "Journal-American," May 22, 1953)

Mr. Gould, commenting on new appointments to the Securities and Exchange Commission, which he says has deteriorated because of "staff rule," concludes "the best thing probably would be to abolish the SEC and start all over again."

Once President Eisenhower sends to Capitol Hill the names of his latest selections for the Securities and Exchange Commission, and they are confirmed, there will remain only one "career" Commissioner . . . Paul Rowen.

Leslie Gould

Thus, staff rule of this important agency, which has deteriorated since its inception 20 years ago, will end. The staff has been so strong that it has been able to buck the Commissioners time and again and even stymie their so-called "bosses."

Richard McEntire, of Kansas, who claims to be a Republican but has proved to be anything but in his voting as SEC Commissioner, is stepping out. His term expires next month and he failed to win the nod for reappointment. He had expected to be the new Chairman, such hopes going back to 1948 when Dewey seemed such a sure shot winner.

His departure will be the cause for no shedding of tears, for he has gone along with the SEC staff, which has been very New and Fair Dealish.

As first revealed by this column, Sinclair Armstrong, a Chicago lawyer and a Republican, and Andrew Jackson Goodwin, of Anniston, Ala., a Democrat for Eisenhower and formerly in the securities business in New York, are to receive SEC appointments. The third new member, whose appointment also was first revealed here, is Ralph Demmler, a Republican Pittsburgh lawyer. He is to be the new Chairman.

The fifth member of the Commission is Clarence H. Adams, named by Truman a year ago, as a Republican from Connecticut. He has had experience in brokerage, banking and the small loan business.

Paul Rowen, except for two years, has been with the SEC since 1936, being Boston regional administrator at the time of his appointment in 1948. He is a lawyer, and while from Harvard is not regarded as an extreme New Dealer—just a New Dealer.

Present policy is not to name anyone from the staff, until there is a thorough reorganization of the SEC, including its personnel, rules and regulations, as well as some rewriting of the laws. The best thing probably would be to abolish the SEC and start all over again.

THE MARKET . . . AND YOU

By WALLACE STREETE

Impressive bidding for the rail issues was capped this past week by one of the biggest advances experienced in a single session by this average over the last two decades. This stimulation, however, proved insufficient to move the industrial compilation out of its narrow range of the last seven weeks. This mixed progression creates a sense of uneasiness which will not likely do the market any good over the immediate future at least. Caution and a very decided group selection should pay off over the coming summer.

* * *

EPT Extension Discounted

Now that the market, by the adverse action of the industrial section, seemingly has conceded that the EPT burden will be continued to the end of this year, the next analysis of the tax problem necessarily will have to be directed toward whether or not this impost actually will be allowed to expire, without offsets, by the beginning of 1954. If the market is looking six months ahead, as it customarily does, then it is now balancing the probabilities as they will exist around the end of next November. This is the time that the tax outlook for 1954 will be looming large and directly ahead. The new administration hardly has made a dent in the overall spending as yet, and more undoubtedly has been expected of it, though so far the time has been short for recording any real progress. Something, nevertheless, in the way of a minor miracle in the reduction of spending is going to have to take place over the next six months, or else the arguments currently being employed to force the continuation of EPT will be just about as weighty next December as they are now.

* * *

Rail Prospects Good

The railroads are not currently being affected by the EPT progression, except insofar as the wiping out of this tax may bring about a rise in the regular corporate rate, and hence hurt them. Thus the buying of these equities has been the more encouraging in that it has been going ahead without the stimulation which a potential tax reduction would bring to other types of securities. The carrier statistical background includes a level of gross just about even with the first four months of last year, as higher rates have offset the lesser tonnage movement. Since less work has been performed, costs have been lower. This also has been a result of the very decided advance in operating efficiency. The impact of this double leverage has jumped the net figures, and the buyers have been trailing along behind them. The next few sets of monthly comparatives will be helped by the strike-reduced volume of this time last year. Unless there is ahead some adverse development which cannot now be foreseen, the constructive attitude toward the carrier equities should prevail over the coming summer. Equities which should feel the weight of a favorable investor regard are Southern Rwy., Seaboard, Illinois Central, Denver & Rio Grande Western, St. Louis-San Francisco, and the Chicago, Rock Island & Pacific.

* * *

Corn Processors Favored

Grain prices are off sharply from the 1952 levels, hurting some groups and helping others. Agricultural machinery equities have been dropping for quite some time, for more cautious buying policies on the part of the farmers have lessened the demand for machinery and rendered more precarious the collection of installment debts against former sales. On the other hand the corn processors have been helped decidedly by the lower level of prices for this commodity. The profit margin has widened for such concerns as Corn Products, Penick & Ford, and Clinton Foods, at a time of such heavy demand that no price concessions seem necessary to bring in a big volume of sales. Hence accumulation of these equities has been going forward at a time when the same basic force has been hurting others.

* * *

Some Growth Utilities

Growth utilities have been inviting investor confidence, for they offer an unusually attractive combination for conservative capital. In addition to the usual utility attributes of stable dividends and protected positions, there are some utility companies operating in sections of the country which, for one reason or another, are growing more rapidly than the average. Here there is the added advantage of some potential appreciation in capital over the next few years, at least enough to offset whatever further depreciation in buying power that the dollar may suffer. Included in this category will be found Carolina Power & Light, Central & Southwest, Delaware Power & Light, Florida Power, Florida Power & Light, Gulf States Utilities, Houston Lighting & Power, Middle South Utilities, Montana Power, Public Service of Colorado, Southern Co. and Texas Utilities. Dividends also will be found relatively liberal while waiting out the growth potential.

* * *

Aircrafts Oversold?

The air problem is getting a good going over at present, but in the end it must be presumed that, as formerly, this branch of the service will not be hurt materially by budget cutting. On the assumption that their cash allotments might be considerably chipped down, this group was sold quite consistently over the first four months of the year. Its reaction went beyond realities and a turnabout followed, but the more recent recovery tendencies have run into general market weakness which this speculative group could not buck. When this pressure eventually lightens, the airplane manufacturers and equipment suppliers could take a broad turn for the better, particularly if the current air-power controversy ends as anticipated in the full recognition of the great protective power of these weapons.

[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.]

New Specialist Rule Adopted to Attract Large Blocks of Listed Stocks to Exchange Market

Effects will be studied over six months' trial period starting June 1.

The Board of Governors of the New York Stock Exchange on May 21 adopted a new regulation designed to facilitate specialists' handling large blocks of stock. The effects of the regulation will be studied over a six-month trial period, commencing June 1.

Under the preceding regulation, a specialist who bought off the floor of the Exchange a large block of stock below the current market price on the Exchange was required to fill buy orders on his book at the price he paid for the entire block.

For instance, a specialist might buy a block of 10,000 shares off the Exchange at $50 a share—perhaps a dollar a share less, in view of the block's size, than the current market price on the Exchange, $51. Under the old system, he would have had to fill any buy order on his book, limited at $50 or above, at the price of $50 a share, the amount he paid for the block off the board. Under this regulation, the market was affected adversely by the removal of such buy orders from the specialist's book.

Under the new plan, the buy orders will remain on the book, to be executed in the normal course of the auction market.

The specialist will be allowed to bid for or buy any issue in which he has acquired a block interest only in a declining market.

The specialist will be allowed to purchase blocks off the floor under the new plan only when, in the opinion of a Governor of the Exchange, the sale of the block could not be made in the regular auction market within a reasonable time and at reasonable prices, and when the purchase by the specialist would aid him in maintaining a fair and orderly market.

Following is text of the new rule:

Rule 353: A specialist may, with the prior approval of a Floor Governor, purchase off the Floor of the Exchange, for an account in which he is directly or indirectly interested, a block of a stock in which he is registered, without executing the purchase orders on his book at prices at or above the per share price paid by the specialist for such block.

No specialist who has purchased a block of stock as provided above shall bid for or purchase such stock on the Exchange for an account in which he is directly or indirectly interested:

(1) at a price above the preceding sale (i.e., a "plus" tick), or

(2) at a price above the next preceding different sale price (i.e., a "zero plus" tick)

until the number of shares sold for such accounts has equaled the number of shares in the block purchased for such accounts.

Specialists' Transactions Off the Exchange

The approval of a Floor Governor to effect any purchase as provided in Rule 353 will not be granted unless he shall have determined that the regular market on the Floor of the Exchange cannot, within a reasonable time and at a reasonable price or prices, absorb the particular block of stock, and that the purchase will aid the specialist in maintaining a fair and orderly market. In making such determination the following factors may be taken into consideration, viz.:

(a) price range and the volume of transactions in such stock on the Floor of the Exchange during the preceding month;

(b) attempts which have been made to dispose of the stock on the Floor of the Exchange;

(c) the existing condition of the specialist's book and Floor quotations with respect to such stock;

(d) the specialist's position in the stock;

(e) the apparent past and current interest in such stock on the Floor; and

(f) the number of shares and the current market value of the particular block of stock.

Any specialist who has effected a purchase of a block of stock pursuant to Rule 353 shall submit to the Department of Floor Procedure on Form 81 daily reports of all transactions in the stock effected on the Exchange for any account in which he is directly or indirectly interested, commencing with the time that the block purchase was effected and ending at the time that the number of shares of the stock sold for such accounts has equalled the number of shares in the block purchased for such accounts.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Glenn C. Petersen has become associated with Bache & Co., 229 East Wisconsin Avenue. Mr. Petersen was formerly with Lori L. Grier & Co. and A. C. Allyn & Co.

Have Television on a Pay-as-You-Go Basis!

By H. C. BONFIG*

Vice-President and Director of Sales
Zenith Radio Corporation

Asserting "television is still in its infancy," Mr. Bonfig points out, in order to expand to small towns and outlying areas, it must augment its financial support from advertisers with a subscription income. Says economics of the industry have not caught up with its technology, and urges subscription TV, i.e., Phonevision, as means of opening up to television currently available premium attractions. Holds there is not enough local advertising to support television stations in small home markets.

I would like to examine briefly the economics of television. There is no need for me to underscore to you people the tremendous impact the postwar blossoming of television has made—on the general public — on the manufacturing and broadcasting industry — and, especially, on the advertising profession. Television's growth, in just a few years has been nothing short of phenomenal, a truly great credit to the vitality of American enterprise.

H. C. Bonfig

But television is still in its infancy. The economics of the medium have yet to catch up with its technology.

What, then, does television need to attain full stature? I firmly believe it needs to set its economic house in order, by broadening its financial base to encompass subscription income. Television needs this subscription income — augmenting its present income from advertisers—to attain the healthy maturity we all hope for it.

I am sure you will agree that television will have come of age when it's economically able to bring to an eager public the whole panorama of entertainment, sports and current events which it is now technically able to do. The fact that television today does not provide the public with this full panorama of entertainment is not a criticism of the advertisers who are footing the current TV bill. It may, however, be considered a criticism of television's economic structure which puts the entire financial burden on the commercial sponsors.

I believe you will also agree that another mark of TV's maturity will be its extension into a truly national service. By a truly national service, I mean bringing the wonders of television to all sections of the country—to the small cities as well as the large metropolitan centers.

I mean providing the advertisers with a nation-wide medium that furnishes outlets—a choice of outlets—in all parts of the nation. And, most importantly, the cost of this flexible national advertising vehicle must be kept at the level where it can be used effectively by the sponsors.

There is no doubt in my mind that subscription television can be the economic device whereby the telecasting industry will reach this maturity.

The rapid march of events has demonstrated that the commercial establishment of subscription television—and Phonevision—can do more to insure a strong, continuing demand for television, more to underwrite the future of the set manufacturing industry, and more to make television a real national service—and a national advertising medium — than any development on the horizon today.

*An address by Mr. Bonfig before the Chicago Federated Advertising Club, Chicago, Ill., April 30, 1953.

The Show Is the Thing

The reason is fundamental. It's the ancient stage axiom that the show is the thing.

The public buys television receivers to see programs in the easy comfort of the home. The more and better the programs, the greater total audience there is for advertisers and, of course, the larger the demand for television sets.

For valid economic reasons, many of the entertainment items which television is technically able to transmit are not going into the TV homes at the present time. For the most part, this large area of TV programming — top grade motion pictures, many major sports events, legitimate theater productions, opera, ballet, and other cultural fare — is simply — and logically — too expensive for the advertising sponsor.

Evidence is mounting that this area of TV programming, too costly to be economically feasible for advertising purposes, is expanding. Leaving aside the production or "rights" costs, we must also consider the near-astronomical distribution costs when TV blankets the country.

Now, far be it from me to belittle the TV programming currently being made available to the American public by the advertisers. Even though as director of sales of Zenith Radio Corporation I might like to think that the fact that the public has purchased over 23,000,000 TV sets in just a few years is due solely to the technical quality of these receivers and our salesmanship, I know, of course, that is only part of the picture.

It is obvious that the advertising community has done a great job, during these formative years, of providing the public with enthusiastically received programs. But for television to make the next step toward economic maturity — to become a national service of all the things TV is technically ready to distribute—the advertising support must be supplemented by direct subscription support from the viewers.

An Analogy Between Newspaper and Television

Let me draw up an analogy between the newspapers and television to spell this out. In 1952 the nation's newspapers received $2,458,500,000 from advertisers, according to the latest estimates. In 1952 the newspapers received $1,208,905,000 from newsstand sales and subscriptions, according to the latest Bureau of Advertising estimates. In other words, these figures show that nearly 33% of the financial support of newspapers came from the readers.

Now compare this with television. In 1952, the nation's telecasting industry received $580,000,000 from advertisers. Direct financial support from the viewers? Zero.

Patently, our mature newspaper service, supplying the entire nation with the latest news and feature material, could not have come into being without this combination of advertising and subscription income. I believe that a mature television service, supplying the entire nation with the best possible programs, can only come into being with this same combination of advertising and subscription income.

Television in Small Markets

In this matter of a mature television service covering the entire nation, I just want to lay before you one more set of figures. When the Federal Communications Commission last year issued its final blueprints of some 2,000 channel allocations covering the country, it earmarked channels for 895 cities with a population of 25,000 or less. The smallest city (and I use the word advisedly) which has been given a TV channel is Goldfield, Nevada, population 336.

Here is the significant statistic. As of April 1, applicants in only 100 of the 895 cities had seen fit to apply for a TV channel. That means that in just under 800 cities that enjoy splendid radio service, there is today no indication that they will have television.

The reason for this reluctance to apply for television in small markets is understandable to you and the small town broadcasters. The best economists in the broadcasting industry believe national advertisers will not be able to buy more than the top 100 to 125 markets for their network shows.

This means that without subscription television the small town telecaster would have to depend almost entirely on the home town advertiser. But because of the relatively high costs of television operation, even for the least pretentious station, there just isn't enough advertising money in the small markets to support a station on sponsorship revenue alone.

The only way that most small cities and towns can enjoy local TV service of any kind is through the establishment of subscription television, so that these stations can devote part of their broadcast day to "pay-as-you-see" programming.

The income from Phonevision, added to the income from sponsored programs, could finance the profitable operation of television stations in hundreds and hundreds of small markets that must otherwise depend upon the vagaries of fringe area reception, or do without TV entirely.

On the basis of present indications, upwards of 20 million people will have virtually no TV service, or be without a nearby station, unless subscription television is used to help support the small city stations. This means that without subscription television, 20 million potential customers cannot be effectively reached by TV advertising—that 20 million Americans are to be denied the full benefits of TV.

Subscription TV

Believe me subscription TV—by putting the television medium on a sound economic basis—will be a great boon to advertisers and the advertising profession. Subscription TV — Phonevision — can open up to television the premium attractions, currently unavailable. Subscription TV can bring television service to those parts of the country which presently seem destined to remain without such service. And it can help support additional competitive stations in markets presently covered.

So you can see that subscription supported television, working in combination with advertising supported television, can greatly expand the overall TV audience. The attraction of premium and specialty subscription programming, supplementing—but not replacing—the advertiser-sponsored shows, will be a strong plus factor in the desire to own a television receiver, thus increasing set circulation. The assurance of profitable station operation with subscription support added to advertiser support will increase the number of outlets, thus again increasing the overall set circulation.

The combination of subscription and advertising income has built this country's printed media into the finest informational, entertainment and advertising service in the entire publishing world. It is not a revolutionary economic concept, and it is just as sound for television as it is for newspapers or magazines.

Phonevision's system of opening up the reservoir of premium programming not yet seen on home TV and distributing it to the grass roots of America would be the economic shot-in-the-arm that's needed to help television reach maturity. And we all stand to benefit from this healthy economic maturity.

The entire concept of subscription television and Phonevision leaves me with a profound feeling that such a commercial system is not only "in the public interest," but that it also provides an entirely reasonable and logical assist to television as an advertising medium.

Cunningham, Gunn & Carey Formed

CINCINNATI, Ohio—Cunningham & Co. and Gunn, Carey & Co. will merge as of June 1 to form Cunningham, Gunn & Carey, Inc. Officers of the firm will be Russell I. Cunningham, President; Clemens E. Gunn, Vice-President, and Walter J. Carey, Secretary. Offices are located in the Union Commerce Building.

Materials Handling—A Growth Industry

By ROBIN LLOYD WINKLER
Research Department, Harris, Upham & Co., Members, New York Stock Exchange

Mr. Winkler calls attention to advancement of material handling technique aimed specifically at reducing costs on a mass scale for factories and industries. Presents data on various companies in field.

The recent National Materials Handling Exhibition held in Philadelphia from May 18 to May 22 demonstrated that a new name can revolutionize an ancient product.

Materials handling equipment is an all-inclusive term describing tools and machines which lift, transport and place any material. Thus a hand shovel is technically material handling equipment as much as the modern fork lift truck which can raise as great a load as 15,000 pounds, move it to another place and stack it in a new arrangement.

Robin L. Winkler

A leading spokesman for the industry, the Material Handling Institute, Inc., has asserted that "Before World War II material handling was an infant industry. . . ." A more accurate statement would be that prior to World War II material handling was not organized on a technical basis aimed specifically at the reduction of costs on a mass scale for various factories and industries concerned with the handling of material. Today material handling is a refined engineering technique the ramifications of which will be more and more felt in the economy.

With the greater utilization of the modern fork lift truck, for instance, in warehouses more equipment will be stored in much shorter time. The unloading of cargo, now partially done by such material handling equipment as power cranes, can be made more efficient by the wider use of lift trucks and electrically operated loading cars. The back-breaking labor of the stevedore can be largely eliminated by machines.

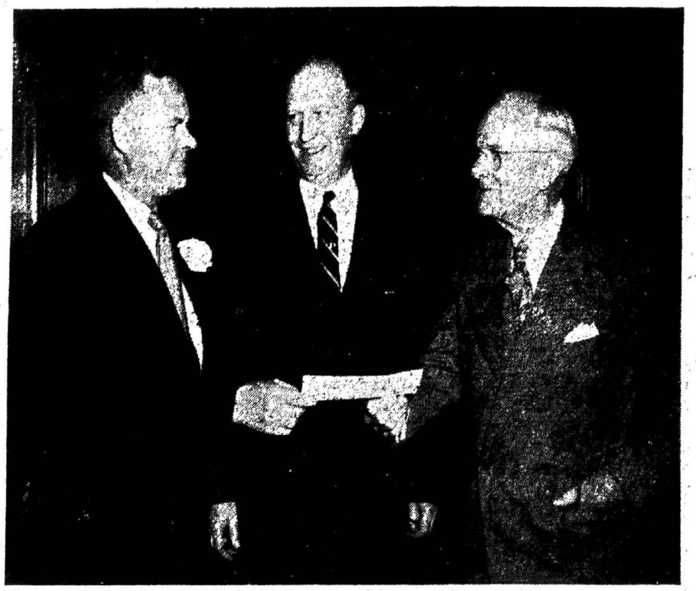
Because of the introduction of modern materials handling techniques and equipment, costs can be reduced markedly. Since the inception of a technical materials handling program at the Camden, N. J., plant of the RCA-Victor Division of the Radio Corporation of America the company has made an annual saving of not less than $330,000. It has been estimated that from 20 to 35% of the costs of manufacturing in many industries are consumed in materials handling. If these costs are cut by modern methods the savings will be reflected by greater profits.

The enormous funds expended for new plant and equipment since 1946 by American industry points up the fact that the materials handling industry is on the threshold of tremendous growth. Already the competition is keen and new companies are entering the field. Which companies will be successful and which fall by the way only time can tell, but that the industry will forge ahead there can be no doubt.

Several companies have demonstrated an earnings ability and capacity for growth in this industry and related enterprises. Some of these, with related data, are listed below:

	Recent Price	Minimum Est. Dividend	Dividend Since	Yield
Clark Equipment	40½	$3.00	1933	7%
A leading manufacturer of gas, diesel, and electric power lift trucks. Recent acquisition of Michigan Power Shovel and Ross Carrier places company in the construction and road building field.				
Yale & Towne	37⅜	$2.00	1899	5%
A foremost manufacturer of keys and locks, company is now assuming a strong position in electric and gas operated lift trucks and last year's sales reflect that this manufacturing division has become more significant than keys and locks.				
Thew Shovel	30	$1.60	1936	5%
Manufacturer of commercial size power cranes and shovels used for material handling by non-road building companies and for earth moving by construction companies.				
Link Belt Co.	42½	$2.40	1906	5%
Manufactures chains and sprocket wheels for mechanical power transmission and conveying of materials as well as speeder-shovel cranes and railroad car movers and unloaders.				
Chain Belt Co.	33	$2.00	1902	6%
In addition to general conveyor process equipment this company manufactures concrete mixers and placers.				
Baker Raulang	16⅛	?	1943	?
After the purchase of the Lull Corporation at the end of 1952 the company manufactures a full line of electric and gas operated loading and moving equipment. In addition, company has a unique electronically controlled guided missile loader.				
Joy Manufacturing	36¾	$2.50	1929	6%
Nation's largest producers of mining equipment, Joy manufactures a "continuous miner" which combines cutting, drilling, blasting and loading into one operation particularly applicable to labor and cost saving in coal mines.				

Close Maine Turnpike Financing



Jerome C. L. Tripp, President of Tripp & Co., Inc., New York investment banking firm, is shown (left), handing a check in the amount of $73,158,333.33 to Joseph Sayward, Chairman of the Maine Turnpike Authority, closing ceremonies in connection with the issue of $75,000,000 Maine Turnpike Authority Revenue and Refunding bonds were held in the 23 Wall Street offices of J. P. Morgan & Co. Inc., paying agent for the bonds. Looking on (center), is John M. Lancaster, of Stifel, Nicolaus & Co., Inc., of Chicago and St. Louis, which together with Tripp & Co., headed a nationwide banking group of 237 firms that underwrote the Maine Turnpike issue. Proceeds from the sale of the bonds will be used to finance the extension and improvement of the Maine Turnpike and for the redemption of presently outstanding 2½% and 2¾% bonds of the Authority.

Cite Soft Spots in Industrial Activity

Business Survey Committee of National Association of Purchasing Agents says condition is not alarming and production is holding up well, though new orders show stronger tendency to slack off.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, New Haven, Conn. indicates that over-all industrial activity remains very high, but some soft spots appeared in May— nothing alarming. Production is holding up well, while new orders show a stronger tendency to slack off. The widest gap between falling order books and production since October, 1952, is noted in this month's replies to the Committee.

Robert C. Swanton

The price structure, the report states, shows statistical strength, due principally to the advances in steel extras. Without that, the trend this month would be down. Unworked materials inventories continue to slide, with much pressure to reduce further. Pay rolls have stopped growing. Some areas are still critically short of skilled workers, others are in an easing position. Overtime generally is being cutback. Productivity is improving. Buying policy, continuing very conservative, finds the majority in the 30-to-60-day range of the "hand-to-mouth" to 90-day spread.

The Committee notes that June is, possibly, to be the banner production month of the year, as factories schedule all shipments possible before the July vacation shutdown. The vacation production recess is expected to be more prevalent this year and, in many cases, of longer duration.

Asked for an opinion on production and price trends as far ahead as they care to forecast, the Business Survey Committee purchasing executives, with very little hedging as to peace, war and defense cutbacks, estimate that business through the third quarter, making allowance for vacation time in July and August, will be good. Fifty-three percent hold that view. Another 31% take it as far as the end of the year. Sixteen percent believe they can see a gradual decline in business volume between July 1 and Dec. 31.

On future price trends, 57% see no radical changes up or down, expecting a general sidewise movement. Thirty-five percent estimate a gradual decline. Only 8% can visualize an upward trend.

Commodity Prices

Except for the increases in steel extras, industrial materials prices show a tendency to level out or decline this month. Adjustments, following decontrol, are believed to be about completed. Supply and demand are fast becoming the controlling pricing factor. Softness in foreign markets still bears heavily on several important commodities.

Questioned on the future price trend, 57% of purchasing executives see no major movements up or down for several months. Thirty-five percent estimate a gradual decline over the balance of the year. The small number expecting increases base them on the possibility of a steel wage increase which might set a pattern for other wage agreements.

Inventories

Unworked purchased materials inventories continue to decline. The turnover rate is improving, showing better balance. Lead time for deliveries is shorter on many items. Buyers see no need to stock up in anticipation of shortages or price increases.

Employment

The trend to higher pay rolls has topped off. Overtime is being reduced all along the line. While several areas are still plagued by the shortage of skilled workers, others report an easing up in this respect. Layoffs and more selectivity in replacements are reported. Seasonal outdoor work is expanding. Technological improvements due to plant modernization programs are reported, with higher productivity. Employment managers are watching closely the steel wage negotiations now under way.

Buying Policy

Buying policy is still of short range, "hand-to-mouth" to 90 days, with 30 to 60 days the majority view of the markets. Two-way escalation is being offered to influence longer forward commitments, but it has not had much effect on the conservative buying policy in general use for many months.

Stein to Be Partner In Scherck, Richter

ST. LOUIS, Mo.—Admission of Elliot H. Stein as a general partner in the investment securities firm of Scherck, Richter Company, 320 North Fourth Street, is announced. Mr. Stein, who has headed his own investment brokerage firm of Elliot H. Stein & Co. since 1951, has been active in the investment business for the past 15 years.

Elliot H. Stein

All business of Elliot H. Stein & Co. will be taken over by Scherck, Richter Company, effective June 1.

In addition to his partnership in the investment securities company, Mr. Stein is on the board of directors of A. S. Aloe Company; St. Louis Browns; Berland Shoe Stores, Inc.; Elder Manufacturing Co.; Fulton Iron Works Company; The Medart Company; Paramount Shoe Company; St. Louis Public Service Company; Velvet Freeze, Inc., and the United States Hoffman Machinery Company.

Woodcock, Hess to Be NYSE Member Corp.

PHILADELPHIA, Pa. — Woodcock, Hess & Co., Inc., 123 South Broad Street, members of the Philadelphia-Baltimore Stock Exchange, on June 4 will become a member corporation of the New York Stock Exchange. The Exchange membership will be held by William M. Hess, a director of the corporation.

Officers are Arleigh P. Hess, Chairman of the Board; Harold P. Woodcock, President; William Z. McLear, Executive Vice-President; Daniel J. Taylor, Ralph E. Hendee, Vice-Presidents; Warren H. Bodman, Secretary and Treasurer. Directors are the officers, William M. Hess and Clifford G. Pennington.

Armington Co. Formed

BOSTON, Mass. — Henry W. Armington has opened offices at 60 State Street to engage in the securities business under the firm name of Armington & Co. Mr. Armington has recently been with Livingstone & Company and Jordan & Co. Prior thereto he conducted his own investment business in Boston.

Three With Davies Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Oliver Aubrey, Eloy H. Melendres, and John R. Sigman have become connected with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Managed Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Charles M. Eller has joined the staff of Managed Investment Programs, 41 Sutter Street. He was formerly with E. F. Hutton & Company.

Dollar Literacy—the American "Must"

By ORVAL W. ADAMS*
Executive Vice-President, First National Bank, Salt Lake City, Utah

Asserting bankers have definite obligation to do what they can to foster a proper understanding of what has happened to our money in the last 20 years, Western banker decries what he calls "dollar illiteracy." Says greatest problem today is to restore our world obligations on a sound money basis. Holds a recession may be in offing, because of almost superhuman task to clean up our present inherited political mess in next few years. Contends young people are not given understanding regarding import of sound money. Concludes creeping inflation is greatest tragedy to civilization.

Banking must be recognized as a learned profession—a profession involving an intimate and accurate knowledge of subjects requiring highly specialized training and imposing duties upon its practitioners comparable with those imposed upon the members of other learned professions. We cannot serve our country to the best of our ability unless we keep in mind the duties resting upon us as members of the banking profession, and unless it be generally understood that we are guided in our actions by a recognition of and an endeavor to fulfill such obligations.

Orval W. Adams

We should know that, our depositors not being organized, they become the victims of organized groups. In the words of Virgil Jordan, who is the Chancellor of the National Industrial Conference Board, "the U. S. A. is a victim of government by subsidy, bribery, and robbery; a government willing to steal, and convert to fake money the savings of its citizens to satisfy its lust for ever increasing power." He said also: "The welfare and protection promised for the future in return for votes can only be called the cruelest and most colossal fraud that has ever been practiced on a credulous people." No doubt Dr. Jordan had in mind the dollar-political record of the past 20 years.

Here is a statement proving that Dr. Jordan was not too far wrong when he referred to the "most colossal fraud that has ever been practiced on a credulous people":

"A special item in this issue of 'Monetary Notes' deals with losses in purchasing power of savings bonds, time deposits in banks, and life insurance policies for the period 1945-1951. Dr. Spahr estimates that the losses on these three items alone exceed $123 billion which, he says, is 'approximately 65 times the loss of $1,901,000,000 of depositors in banks for the years 1921-1933.' He states that 'this economic disease, which is analogous to a cancerous growth, is not widely understood, partly because people's savings are remote as compared with matters relating to immediate income.'"

Who are these credulous, forgotten people to whom Dr. Jordan refers? I know! Sometimes we are moved to tears by the lamentations of politicians concerning the sad fate of some unidentified forgotten people. Scarcely have the politicians ever pointed out exactly who these forgotten people are, and for whose welfare they possess such grave concern. We know and have identified them. They are not a myth. They exist. They are among us in flesh and bones—in our banks, owners of insurance policies, of government bonds, in building and loan associations. They compose the great middle class of America. They are not generally pointed out as being the victims of dollar illiteracy, the breeding agency of inflation. They are not noisy or complaining. On the contrary, the real forgotten men and women have daily remained inarticulate. They have no organization, no pressure group. They issue no propaganda. They conduct no parades and make no fiery speeches or denunciations. They have no banners or implements. They have no controls, no press. They issue no publicity. They have no spokesmen, no defenders—not even us, you and me, their unofficial custodians, the bankers of America. They have no lobby in Washington. They are the unknown, defenseless savings and commercial depositors.

It is not enough that we discharge faithfully and to the best of our ability, the routine duties devolving upon us in our own institutions.

What Bankers Can Do

I take the position that the bankers are in a more advantageous position to understand, acquire, and disseminate knowledge dealing with dollar literacy than any other single group in America. I do not say this boastfully, not because I entertain the opinion that the men of our fraternity have been endowed with a superior intelligence. My reason for making the assertion is simply that we have been exposed to more opportunities to learn. We have had more occasion and more opportunity to know all the businesses of the country, and the financial and economic lives and interests of all the people of the country, than has any other single group.

It is my sincere belief that every one here has a definite obligation to do what he can to bring about a proper understanding on the part of the people of this country of what has happened to our money in the last 20 years because of dollar illiteracy, and an obligation to do all in his power to put an end to the forces threatening the destruction of individual initiative through dollar debasement.

Our forefathers builded well and left behind them impressive evidence of what can be wrought when the independence and initiative of the individual, cooperating with his fellows, are respected and rewarded. There is no record of our forefathers having attempted to ignore the teachings of history, to set aside experience, or to reinaugurate discarded theories paraded under new and attractive names, such as New Deal and Fair Deal.

We must ask ourselves whether that virus of misconception has taken hold of us in the banking profession, whether we are demonstrating that we have the power of resistance against this worldwide infection, whether we can boast of immunity from the germs of unsound thinking that are infecting the world.

Our Greatest Problem

Our greatest problem today is to bestir ourselves to take an intense, continuing interest in this thing which we call sound money, which has helped us to live in peace, happiness, and prosperity with one another, and to discharge our world obligations on a sound money basis. To save the world and bankrupt ourselves would be an unforgivable lack of vision.

Fortunately, we can now observe in the new Administration indications that they realize that the government is the servant of the people and not the master, and—

(1) That the well being and destiny of all peoples center in the preservation and perpetuation of national solvency.

(2) That the problem transcends in importance, parties, politics, and partisanship.

(3) That all through history, governments have multiplied their functions at the expense of the property, liberty, and lives of their citizens, and democracies have not been spared in this process of exploitation.

(4) That politicians of all persuasions are disposed to make public office a personal, vested interest, and frequently political parties have been built up and maintained by the common practice of feeding their following out of the public treasury, giving little thought to the vital principle of sound dollars — the foundation upon which national solvency is maintained.

(5) That politicians know that it contributes to their perpetuation in office to find and to exhaust new sources of revenue, to create more jobs as rewards for party adherents, to permit more and more people to fatten on the public payroll, to make more and more citizens economically dependent upon the public purse.

(6) That by prolific spending of debased currency, divorced from the gold standard, politicians aim to entrench themselves in office; that when once a party is powerful enough, by the application of such methods, to defeat, or to crush its opponents and to modify or nullify constitutional restrictions so as to extend its powers, they become entrenched officeholders, and having bought the electorate, they remain in power to keep the electorate bought—a most costly debauchery.

"Another Depression Looms"

Now that another recession looms (and a recession always follows devastating conflicts and political debauchery), the next Administration and Congress may be of the New Deal variety, because it will be an almost superhuman task to clean up the present political, inherited mess in the next few years.

"The time is far spent—there is little remaining" to provide dollar literacy education to our 100,000,000 depositors. In less than two years there will be a Congressional election, and in less than four years there will be a general election. The present Administration is attempting to restore sound money. This is a stupendous and painful undertaking. Many of these 100,000,000 depositors are not aware of the fact so ably stated by Chairman Martin of the Board of Governors of the Federal Reserve System, who said recently, "Inflation is a sneakthief—it seems to be putting money into our pockets when, in fact, it is robbing the saver, the pensioner, the retired workman, the aged—those least able to defend themselves. And when deflation sets in, businessmen, bankers, workers, suffer alike, as most of us here know from the early 1930's." That being true, the economic suffering that will take place during a deflationary period, after 20 years of cruel inflation, will not be anticipated by those affected.

The painful experience which is necessary and must take place in order to restore economic sanity, will influence votes. If the economics of the situation were understood, that would not be true. The citizenship of this great country would be willing and anxious to go through a period of painful deflation in order to restore economic sanity, which would be the only way to construct a sound platform for a new beginning, for insurance to save what is left of the already 50% depreciated dollar.

Repeating, "The time is far spent—there is little remaining," and I mean time remaining for education before the next election. The bankers—the unofficial custodians of the commercial and savings accounts of 100,000,000 of their customers, have a superhuman educational task to perform, in the transition period from inflation to deflation.

Let us not fail—for if we do and the New Deal Money Magicians take over in the next election, it may be too late thereafter to save what is left of the most priceless heritage ever bequeathed to a generation.

At this very moment there is a race being run with more vital consequences than any other in our time, a race between education and self-destruction.

Daniel Webster said in 1834: "I admonish every industrious laborer in this country to be on guard against those who would perpetrate against them a double fraud—a fraud to cheat them out of their earnings by first cheating them out of their understandings. The very man above all others who has the deepest interest in sound currency, and who suffers most by mischievous legislation, is the man who earns his daily bread by his daily toil. A vast majority of us live by industry. The Constitution was made to protect this industry, to give it both encouragement and security; but above all, security."

On the same subject, the immortal and stalwart Southern democrat, Thomas Jefferson, said: "To preserve our independence, we must not let our leaders load us with perpetual debt. We must make our election between economy and liberty, or profusion and servitude."

It is rare indeed when even men on the watchtower seem able to recognize this approaching force of disintegration. And as for the

Continued on page 28

*An address by Mr. Adams before the Texas Bankers Association, Houston, Texas, May 25, 1953.

More Foreign Trade, Not Aid, Universally Advantageous

By CARTER C. HIGGINS*

President and General Manager
Worcester Pressed Steel Company

Pointing out our foreign trade is important, both because of its volume and because it is a source of international good will, New England manufacturer advocates cutting down our foreign aid and, instead, increase our imports and investments abroad. Opposes Simpson Bill which permits tariff boosts, and concludes foreign nations want trade, not aid.

Sometimes I feel it is better to be back home and inconspicuous than up front and be found out. Although I am a member of the National Association of Manufacturers—International Relations Committee, I cannot speak fully for them and hope that if you agree with what I say you will attribute some of it to the NAM and what you do not agree with may be put down as my own sentiments.

Carter C. Higgins

Mr. Podsnapp, in Dickens, simply did not like foreigners. He complained, "They are not English!" Even within my experience, we have found that whether we thought foreign relations were pleasurable, a bore or something to be ignored, they have very important effects on this country. Two wars and the fracas we are in, are three too many.

What once was thought too internationalist an attitude for our own national interest is now required by our own national interest. In fact, if we citizens are to regain true sovereignty, which to me means the right to control our own affairs, I think we must be prepared to give up much of what we thought was national sovereignty and accept limited international government.

I am particularly going to talk on the national aspects of foreign trade policy tonight. Foreign trade is important because of its volume — last year we exported $20.4 billion of goods and imported $15.4 billion of goods. A total of $36 billion of trade is important in itself and represents $10 billion more than all the capital goods industry ordered last year. We export over 10% of our manufactured goods.

The second reason that foreign trade is important is that it has been a source of goodwill between nations. The idea that when there is a business transaction one party gets the better of the other is a stupid idea. Presumably you buy something because you will be pleased with your purchase and the seller will be pleased with your trade. Likewise between countries, the citizens of one country are pleased with their purchases, and the exporting country pleased with the trade. It is, therefore, natural that countries should trade together with both sides benefiting.

We know that today much of the world lives in poverty and that our American standard of living is greatly beyond the dreams of people in foreign lands who are hungry, illiterate and in ill health. Many of the goods we export are helping to raise their standards of living and health. For instance, 13% of our agricultural implements are exported and almost 12% of our motor trucks. These exports mean better living abroad, and they could not be bought except on the foreign market by those who need them. You too greatly benefit by the things we buy from abroad. This country is no longer as rich in natural resources as we were. We are self-sufficient in few items. We must import manganese, and copper, and oil, and chromium and tin and rubber. We also must buy many tropical agricultural products like coffee and tea and sugar and bananas and Scotch whiskey. We would miss these things. Before the war we only imported $2 billion a year, but now our imports are up to $15 billion a year and we are living better. Of our imports, about 55% come in free of duty and the remainder pay an average tariff of 12½%. When you go to the store you buy the best goods you can get for the lowest price and you believe in stretching your dollars. If we get better goods from abroad, obviously your dollars are going farther.

*An address by Mr. Higgins before the League of Women Voters, Providence, R. I., May 7, 1953.

I think that we will all agree that we believe in the maximum volume of trade, both foreign trade and in this country. The doctrine of scarcity does not appeal to us.

How to Promote Foreign Trade

How can foreign trade flourish? What we can send abroad is limited by the dollars foreign countries have to buy our goods. People want to buy more American goods if they can get the dollars and the dollar gap between exports and imports has been running about $5 billion the past two years. They can only buy more if they get more dollars.

They get their dollars by digging gold, if they have it, and selling gold to us. (This is less important than it used to be.) They get dollars from private investment abroad, and our private investment has been running just over $1 billion a year. They get their dollars from what they sell to us—our imports of goods and travel and services—and this supplies most of the dollars they have. Finally, since the war these sources have failed to supply enough dollars by approximately $38 billion, and during these same seven years our government has given $38 billion in goods and supplies to our friends and allies in the free world.

Can we go on giving money away like this? Such amounts obviously enter into our tax burden importantly; in fact, they amount to over $630 for each American family. Our allies are protesting our charity and clamoring for a more healthy economic relationship. They do not wish to be poor relations of the United States. They look for leadership in rebuilding and expanding world trade so that every nation can share and build the self-respect which comes from earning their own way. Both because our citizens and our industries are taxed too high already for our long-run good, and because we must respect how other countries feel toward us, we must cut down on our government giving money out abroad.

There will still have to be such public payments particularly in connection with defense programs which the free world must have, because our allies cannot afford the full measure of equipment required. As they grow in strength, in part through having more knowledge, and through other ways than through government payments, they will be better able to shoulder more of the burden of being free. So much for foreign aid.

Increasing Our Foreign Investments

There has been considerable disappointment expressed with regard to private foreign investment since the war. There are several limitations on such investment and I think the greatest is the opportunity and the need for capital here. A great deal of the hope of getting good returns is limited abroad by the poverty of their peoples, by poor transport, by untrained working populations, and by their inability to buy even locally made goods. Then there is the threat of war. Despite these three limitations, there should have been more private investment if it had not been for the insecurity facing investors because of government actions. Money invested abroad in many cases cannot be brought back because currency is subject to regulation. Often you cannot be sure of getting any profit out, much less your original investment. Even your money invested abroad may be subject to confiscation by socialistic regimes. We believe that nations should assure security for foreign investments within their territories. While they have the right to nationalize foreign industry along with their own, this should only be done based on fair compensation agreed on with the owners of foreign investment. The compensation should recognize reasonable replacement cost for plant and equipment and inventory, and additional compensation should be made for goodwill and other intangible assets. Further, compensation should be paid promptly rather than giving the investor a bond supposed to be paid out of future earnings and ceased enterprises. Another problem is requiring investors to employ too high a per cent of native help. Naturally, such practices deter private investment abroad. Many foreign nations and particularly underdeveloped countries do not welcome our investors.

In some ways our own government has not been helpful for international private investment. Sometimes United States funds will subsidize competing enterprises. United States tax rates paid by firms abroad are higher than their competitors pay. In other cases, our government officials have not recognized that American industry today is productive rather than exploitative and that United States enterprises seek to be good citizens in the countries in which they operate. Finally, our government has seemed to encourage socialistic regimes abroad at times when they have been taking unfair measures with regard to our industries there. It would appear that by governments removing deterrents to private investment abroad, more dollars could be made available in this way.

Could Import More Goods

Foreign countries get more dollars by shipping their goods or services to us.

There is little question that we could absorb more imported goods than even the high levels now being imported. What approximately the $7 billion of imports under tariffs could expand to, if tariffs were removed, we cannot say, but our tariffs and our quotas, and our regulations have been a sore point to foreign countries. We say to them, "build up your export trade," and when they try to do so, another branch of our government limits the figs or the cheese or the sugar we will buy from them. In the meantime, we are boasting about our competitive country and how competition raises the standard of living. High tariff supporters have made it hard for them to understand where the United States does stand.

I said earlier that foreign trade does balance across a period of time, just as any trade balances. Our income is equal to our outgo. We may accept promissory notes for income sometimes but the balance is still there. It is too bad, therefore, to let a depression psychosis influence our thinking along tariffs. If we import a million dollars worth of goods because it is cheaper and better to do so, some people foresee idle factories, American workmen out of jobs, etc. Actually, the million dollars will either reduce the aid our government has to supply or else it will be used to buy other goods from this country. Employment by exporters makes up for the jobs displaced. There is no overall unemployment and your standard of living tends to improve. Though we believe in high wages, we use good systems and equipment and our prices are not high.

Since 1934 we have been moving toward reduced tariffs and approval by Congress of the Reciprocal Trade Agreement Act without limiting amendments will continue this process. The proposals of the Simpson Bill to amend the Reciprocal Trade Agreement Act would require that tariffs be raised in annoying ways when an industry complained. If a British company, for instance, did a poor job of selling to us, they would be all right, but if they do a good job, the tariff goes up. Then take the bill's proposed tariff on petroleum, this would almost surely lead to us in New England having to pay more to the oil companies. It is a bad bill. Though study has been devoted to regulations, our Customs Regulations Act has not been passed. Nevertheless, we have been increasing our imports and have all been benefiting. We have not been subsidizing our uneconomic industries here as we once were.

We recognize that too sudden a move to free trade might destroy investments here and dislocate certain industries. It must be done gradually, but it should be done so that we do not put ourselves into talking one way and acting another. Further, a certain few industries must be maintained for purposes of national defense, but I would interpret this narrowly rather than lumping large fields under defense heading as sometimes has been done. Except for a very few instances, why should we taxpayers pay more for American made goods to ship to our allies rather than accepting their bids? Let's hope that our imports will continue to expand and that, for instance, those countries which used to sell to the Soviet block will not be forced to trade with them because we will not take their products.

Summary

In summary, foreign trade is important to good foreign relations. It is important to our farms and our industries and it is important to you because your standard of living is built on it. Foreign trade will find a balance set by the dollars available to other people. We should remove the obstacles to private investment abroad, we should cut down on tariffs and quotas and burdensome regulations so that we can import more each year. We should work so that our national government does not have to play so large a part in foreign trade both because foreign nations want trade not aid, and because our taxpayers and debt carriers are reaching the end of our rope. Through a higher volume of trade, we can expect more communication and better understanding with the other free nations of the world. I congratulate the League of Women Voters on their steadfast support of foreign trade.

Arthur V. Grace With Gottron, Russell & Co.

Arthur V. Grace

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Arthur V. Grace has become affiliated with Gottron, Russell & Co., Union Commerce Building, members of the Midwest Stock Exchange. Mr. Grace formerly conducted his own investment business in Cleveland.

William Cummins With Clair S. Hall & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — William Cummins has become associated with Clair S. Hall & Company, Union Trust Building. Mr. Cummins was formerly an officer of Edw. G. Taylor & Co., Inc. and prior thereto was manager of the trading department for A. E. Aub & Co.

C. Berkeley Cooke, Jr. With Thomson McKinnon

Thomson & McKinnon, 11 Wall Street, New York City, members of the New York Stock Exchange, announce that C. Berkeley Cooke, Jr. has become associated with them as a registered representative. He was formerly with Steele and Company and prior thereto with Bond & Goodwin. In the past he was in the investment business in Baltimore.

James S. Johnston With Tucker, Anthony

James S. Johnston is associated with Tucker, Anthony & Co., 120 Broadway, New York City, members of the New York and Boston Stock Exchanges. Mr. Johnston was formerly in the Institutional bond department of L. F. Rothschild & Co. and prior thereto was an officer of Bramhall, Barbour & Co., Inc.

Hilmar G. Appel With Uhlmann & Latshaw

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Hilmar G. Appel has become associated with Uhlmann & Latshaw, 111 West 10th Street, members of the New York and Midwest Stock Exchanges. Mr. Appel was formerly Kansas City representative for John Nuveen & Co.

With Hamilton Managmt.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—Ralph J. Hammack has become associated with Hamilton Management Corporation, Holland Building.

Preserving Industrial Peace— Our Most Pressing Problem

By BENJAMIN F. FAIRLESS*
Chairman, United States Steel Corporation

Asserting management's most pressing problem is maintenance of industrial peace and avoiding disastrous strikes and slowdowns, prominent steel executive sees no hope of solution until leadership of labor displays an equal desire to remove this menace. Says labor leadership must first rid itself of notion that labor and management are natural enemies, and, secondly, at the bargaining table, each side must give up idea of trying to get something away from each other. Points out wages depend primarily on workers' productivity, and scores existing "featherbedding" work rules. Stresses identical interests of labor, management and the public in more efficient and economic production.

We live in an age of miracles, and they have become so commonplace in our industrial world that if any day passes without producing some new and wonderful accomplishment, we are inclined to worry about it, and we wonder if maybe we aren't beginning to slip a little.

Benjamin F. Fairless

At this midway point in the 20th Century, we have the miracle of radio and television and atomic energy. Then there is the even greater miracle of mass production, to which we undoubtedly owe our very survival as a free and independent nation. But tonight, I want to talk with you about another mid-century miracle which may seem to you to be a very minor one; but which—to my way of thinking—may prove to be the most significant of them all.

And that is the miraculous reversal which has occurred in the public attitude toward business management in the past few years.

Twenty years ago—at the depth of the depression—the American businessman was an outcast. So far as public opinion was concerned, he found himself at the very bottom of the barrel; and while it is true that he shared this unhappy position with a number of unfortunate bankers and a few unreconstructed Republicans, he was generally regarded, nevertheless, as the lowest form of economic life.

It is said that since he ran his business for private gain, he could never be trusted to run it in the public interest. It was argued that anything that was good for him was automatically bad for the country. And it was generally agreed that he must be shackled with endless regulations and controls.

In fact, had it not been for the part he played in winning the war, when American industry was called upon to outproduce all of the enemy nations put together—and did so—I honestly believe that our whole system of free, individual competitive enterprise would have been overwhelmed, here in this country, by the same kind of state socialism that has swept so many lands abroad.

But that did not happen. The miracle occurred!

Renewed Confidence in Industrial Management

Today, industrial management is winning the renewed confidence of the American people. The right to manage its own affairs has been largely restored to it; and some of its leading figures have been called upon to help establish—NOT a businessman's administration, but a business-like administration—in Washington. But this new prestige — enjoyable as it is — has brought heavy obligations with it; and personally, I know of no leader of business and industry who is not acutely conscious of them.

The will of the people, I think, has been made crystal clear. Just as they want their government to be run in a business-like way, so they expect American business to be run in the long-range interests of the public. And the major responsibility of present-day industrial management—as I see it—is to meet this expectation fully; for should we fail to do so, I greatly fear that many of the basic individual liberties that we have cherished in this nation for the past 175 years will be crushed forever by the growing authority of an all-powerful state.

But any discussion of the grave responsibility which rests upon the shoulders of the American businessman today must begin, it seems to me, with a recognition and an understanding of the great fundamental change which has taken place—even during my lifetime—in the character of industry itself, and in the nature of modern industrial management.

Back in the last century, even the largest of our industrial enterprises were often owned by a single individual or family; or by a little handful of men acting as partners in the venture. And—as is always the case, I suppose, in any century, and in any broad occupational group — these men were of all kinds of dispositions, good, bad, and middling.

The only kind we ever seem to hear about any more, of course, is the bad kind—the men who were selfish and ruthless; and who were interested only in making what is known today, I believe, as a "fast buck." We seldom hear of the other kind—the men who were driven by a passionate desire to build—the men who sought sincerely to improve the material welfare of humanity—and the men, in short, like Edward Budd, who found their greatest satisfaction just in doing the impossible.

But no matter what kind of a man the owner was—nor what his motives might be—his authority was absolute in those days. He ran the business himself; and therefore could run it to suit himself. As long as he served his customers to their satisfaction, and obeyed the relatively simple laws that were then on the books, he was responsible only to his conscience and could do just about as he pleased.

Every dollar that he paid to labor came out of his own pocket; and if his workers became unruly, he could shut down his plants, if he wished, and try to starve them into submission. If he could contrive to extract an extra dollar from his customers, it was just so much velvet for him. And if he could drive a competitor out of business—by fair means or foul—he gained a new measure of security for himself and his family.

He played for high stakes, and the stakes were his own. If he lost, he lost everything—his business, his savings, his home and his shirt. If he won, he won big; and sometimes became so enormously wealthy that the splendor in which he lived was in almost-shocking contrast to the comparative poverty in which his workers existed. And thus the successful owner came to be known as a "Robber Baron" and later as a "Malefactor of Great Wealth."

Yes, this was the conventional picture of the man who brought business leadership into popular disrepute, and whose sins have been visited upon industrial management right down to the present generation.

But let's face it: He did build America! He made it the most productive nation on the face of this earth. And, in spite of himself, he did more to give the American people their present high standard of living than all the reformers who ever lived!

So if we are to understand fully the great change that has occurred in industrial management during the past half century, I think we must first get rid of a few of the misconceptions that still persist about these so-called "Robber Barons."

Let us remember, for example, that they did not create the industrial conditions of their day. They inherited them from their predecessors; for industry—in one form or another—has existed on this earth since the earliest days of recorded history, and for many centuries the labor force consisted chiefly of slaves.

Let us also remember that Nineteenth Century working conditions in America—poor as they may have been by modern standards of comparison—were nevertheless the finest in the world at that time. That is why immigrants from almost every other country on earth flocked to our shores by the millions to seek their fortune here, and to enjoy a standard of living and a degree of security that they could never have hoped to gain through a lifetime of work in the industries of their native lands.

But granting all that, let us agree that wages, compared to those of today, were pitifully low even in America—that in order to keep body and soul together, men sometimes had to labor almost beyond the limits of their physical endurance, and that little children had to work long hours in the mills. Let us also agree that these conditions bred disease — that the safety of workers in dangerous occupations was not properly protected, and that there was a great deal of inhumanity to man, generally speaking. And then let us ask ourselves: "Why?"

Why did these conditions exist? Was it—as Karl Marx declared—because greedy owners stole what he called the "surplus value" produced by the workers?

No. That clearly is not the answer; for if all the wealth of the owners had been distributed equally among their workers, the resulting improvement in the living standards of the men would have been negligible at best, and even this improvement would not have lasted long.

The real trouble was that the workers—for all their long hours of labor—could produce so little with the tools they had at their disposal in those days, that the total value of the things they made was barely sufficient to provide them with the minimum necessities of life.

Why, just think what would happen if modern America—with its 160 million people—had only the tools which existed back in the days when Benjamin Franklin coaxed that historic spark of lightning down his kite string. Wages would fall to a few cents a day. Hours of work would lengthen unbearably. And it is doubtful whether all of the men, women and children in the land—toiling the clock around—could produce enough food, shelter and clothing to sustain the life of our entire population. Many would surely die; millions would suffer from malnutrition and exposure; disease would spread everywhere, and all the Socialists, all the reformers, all the labor unions and all the agencies of government could never change it!

The Basis for Improved Labor Conditions

No, the truth is that the high wages, the short hours, and the enlightened working conditions that industrial labor enjoys in this country today, have NOT been brought about by the purely-humanitarian impulses of anybody—discouraging as that thought may be to all of us.

Our workers have gained more wealth, simply because they produce more wealth; and they are able to produce more, simply because modern tools and methods of production have multiplied their strength enormously. Today, each of these workers is the boss of an invisible crew of mechanical men whose energies he commands at the flick of a switch, and whose productive effort enriches his life.

How did he get these tools? Who created and developed them? Who placed them at his disposal?

Well, I'm very much afraid that it all began with what we know as the "Industrial Revolution;" and that the job was done primarily by those same tycoons who have since been so universally and indiscriminately condemned. The personal fortunes which they amassed were a major source of the venture capital that was risked to develop and build these tools. It was their wealth that perfected the steam engine, that produced the internal combustion engine and the oil to run it, that made mass production possible and that built huge hydraulic presses, integrated steel mills, and the aluminum industry.

Let us say that their motives were sometimes selfish. Let us say that some of them hungered

Continued on page 32

*An address by Mr. Fairless, presented under the Edward G. Budd Lecture Foundation of the Franklin Institute, Philadelphia, Pa., May 20, 1953. On this occasion Mr. Fairless received the Vermilye Medal of the Franklin Institute for industrial statesmanship.

The General Business Outlook

By DEXTER MERRIAM KEEZER*
Director, Department of Economics,
McGraw-Hill Publishing Company, Inc., New York City

Dr. Keezer, after reviewing briefly present situation, foresees some decline in business activity ahead, but holds, so far as the basic economic structure is concerned, it is resilient enough to absorb some turn down and then pick up the pace and continue expanding. Cites facters of economic strength, and stresses large prospective new capital investment as important ingredient of high level prosperity. Warns, however, because of shift away from the inflation "incentive," business will be more competitive and will require more selling effort.

My subject is the general business outlook. This, as you know, is a subject which can be sliced in a large variety of ways. In this respect it resembles a meat product to which speeches about the business outlook are frequently likened.

Dexter M. Keezer

On this occasion I propose to devote about half of my remarks to the business outlook for the period immediately ahead—say the next year or so. Then I propose to turn to the longer range outlook, and particularly one key phase of that outlook which I believe to be of transcendent importance to you as business leaders. I have in mind the effort of our national Administration to get away from price inflation as the major driving force of our economy.

Before taking a look at where we may be bound, it is probably a good idea to take a look at where we are right now. There has perhaps never been a time in the history of our country when so much of the economy has been doing so well. As measured by the official figures for the gross national product (it would be more discreet to say "as roughly measured") our economy as a whole is doing about 6% more business than it was doing a year ago; and at that time it was doing a whale of a business. We have less than 1.6 million unemployed. Unless people are suddenly going to start working a lot harder or more efficiently than they are working—a development I do not anticipate—we are going along at somewhere near the peak of the capacity of our economy. That, it strikes me, is a particularly good time to be on the lookout for some decline in business.

Some Decline Ahead

In the year immediately ahead I do look for some decline. But, if we use our heads tolerably well, I do not expect it to be either very serious or very prolonged. I am thinking in terms of a decline of somewhere in the neighborhood of 10% in industrial production, and a somewhat smaller decline in the gross national product. I expect the decline to run its course somewhere in the neighborhood of a year—again if we use our heads well.

My primary reason for looking for some decline in business is that a number of major segments of industry seem to me to be producing at a pace which cannot be long sustained. One industry I have particularly in mind is the automobile industry which, as you know, has a broadly pervasive effect on our economy. The automobile industry has recently been producing passenger cars at an annual rate of about 7 million. The experts on automobile sales whom I consult harbor no suspicion that passenger cars can be sold at any such rate in the months ahead. That means a piling up of automobile inventories and sooner or later — I should think soner—a cutback in automobile production.

Although the available statistics, which both arrive tardily and are relatively unreliable, do not suggest as much, it is also my suspicion that other lines of consumer durable goods continue to outrun prospective sales by a wide enough margin to portend some cutback of production before long. I have in mind particularly the production of television sets which has been at an annual rate of 10 million, while the most optimistic sales forecasts of the industry come to about 7 million.

In gauging the sales outlook for consumer durable goods I take note of the fact that the use of consumer credit has expanded about 20% during the last year while sales of products which this credit is used to finance have expanded only 15%. I am aware that, as compared to the volume of sales as a whole, the volume of outstanding consumer credit is no higher than it has been at some times in the past when the volume of this credit did not precipitate any particularly serious problems. Even so, the extremely rapid rate at which this credit has been expanding seems to me to portend some heavier going with instalment sales in the period immediately ahead.

Another industry which is obviously producing at a far higher rate than its products are being chewed up (I believe that is the technical term) is the steel industry. I have no reliable statistics on the point in question, but I am reasonably confident that at least the equivalent of 10 million tons of its ingot production, which has recently been running at an annual rate of 118 million tons, is going into inventories of one kind or another.

I am told that, if it materializes, the cutback in automobile production which I expect to come before long will be of no abiding significance but will merely be a return to the traditional seasonal pattern of production in the industry. This pattern, as you know, is one of heavy production early in the year in anticipation of summer, with a tapering off toward the end of the year. This pattern has been blotted out in the postwar years by the rush to fill backlogs of demand for automobiles. I find this idea that we are returning to a seasonal pattern of automobile production plausible enough, but it does not alter the fact that it means some let-down in business as we hit the seasonal doldrums.

The Possibility of Steel Strike

So far as a prospective abundance of steel is concerned, I have been advised by some of those who follow the industry closely not to take it too seriously. They tell me that the situation, at least so far as the immediate future is concerned, will be taken care of by a steel strike. Of course, the same possibility also exists in the automobile industry where negotiations on the cost-of-living adjustment in wage controls are now in progress.

It is a striking fact that on two occasions in this postwar period the near prospect of a plenty of steel has been turned into the reality of a severe shortage by strikes. For all I know about industrial relations in the steel industry, it could happen again. But if so, the effect will be primarily to change the timing of the letdown in business activity. There will still be a let-down.

Of course, any problem of top-heavy industrial inventories would be eliminated if the new crew in the Kremlin should suddenly shift its line, and start making motions suggesting that World War III might be imminent. Then almost any kind of an inventory would be a better thing to have than the money which could be obtained for it.

I have absolutely no credentials as an expert on the intentions of the U.S.S.R. All I know is what the experts tell me. But the best of the experts, whom I assume to be clustered in our Central Intelligence Agency (at least I devoutly hope they are), seem to hold the position that neither World War III nor anthing that could be remotely confused with peace is imminent.

Their position, as I understand it, is that the leaders of the U.S.S.R. can be counted upon to maintain their resolve to overpower us in due course, but that they feel that the surest way to fulfill this ungracious purpose is to avoid all-out conflict until the Russian bloc is somewhere near parity with us in industrial power —a position they are a long way from attaining. As this Russian drive for industrial parity goes forward, it would seem to me safe to anticipate many shifts in the Russian propaganda line and the military lien, too. But they won't be decisively meaningful, unless we let the index of heavy industrial production get within shooting distance (it could be quite literally) of ours. So we do not seem to have in prospect either a sharp turn toward war or a sharp turn toward peace which would vitally affect the immediate business outlook.

How Far Will the Decline Go?

If I am right that some decline in business activity is in prospect this question immediately arises: Why, once started, won't the decline snowball and keep on going? There is, as you know, a grim line of economic logic which, starting with the beginnings of some unemployment, winds up when the last fellow with a job loses it and shoots himself. Those who lose their jobs buy less, that puts others out of jobs, they buy less and put others out of jobs, and so this line of logic goes.

This, I hasten to add, is a cockeyed line of logic. But the world seems pretty fully populated with cockeyed people. If you demand evidence of this, which you should not, I give you the talk about a "peace scare" which has been echoing through the chancelleries of Europe and the canyons of Manhattan in recent weeks as if the prospect of peace were a sort of ogre.

In the light of such a performance I do not think it can be predicted with absolute assurance that some down-turn in business will not be complicated by neurotic reactions to it. And I think that this difficulty is enhanced by the fact that so many people have such searing memories of the depression of the 30's.

But, so far as the basic economic structure is concerned, I am convinced that it is resilient enough to absorb some turn-down in business and then pick up the pace and continue expanding. Some of the factors which give me this confidence are:

- An expanding market, created by a rapid increase in population, and a broadening of the income base.
- A research establishment of vast proportions engaged in developing new products and materials, as well as better ways to sell them.
- A tax system so geared that the burden it imposes tends to be lightened automatically with a decline in income.
- An insulation of both farm prices and wage rates against catastrophic declines.
- Insurance benefits which cushion the income loss from unemployment.
- Insurance of bank deposits against panicky withdrawal, and, perhaps preeminently,
- Plans by the business community to go ahead with a high level of investment in new industrial plant and equipment over the years immediately ahead.

Capital Investment Outlook

As I trust I have indicated, this economy of ours is putting on a dazzling performance. But I suspect that perhaps the most remarkable part of the entire performance is that reflected in the plans for capital investment by business.

In each successive postwar year but one, a new high has been hit in capital investment by business. And in all the recent years when this has happened there has been pretty much the same refrain, "This must be the end; this can't keep up." But again this year business is planning to hit and will succeed in hitting a new high in capital investment, and its present plans, as reported in our McGraw-Hill survey, indicate that it plans to maintain the pace right through 1956. In the years immediately ahead investment for the improvement of our industrial facilities rather than their expansion will be the dominant consideration.

If business is able to carry out its plans for capital investment in the next few years we will have the most important single ingredient of a high level of prosperity. There has never been a period in the history of our country, apart from wartime, when capital investment and general prosperity have not gone along together. And there is no reason to anticipate that this relationship will be broken in the years immediately ahead.

This all-important business of maintaining a high level of capital investment brings me to the second and concluding part of my observations on the business outlook. These are concerned with the effort our national Administration to abandon inflation as a primary if not the primary driving force of our economy—an effort

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*An address by Mr. Keezer at the Tenth Anniversary Convention of The National Savings and Loan League, St. Louis, Missouri, May 13, 1953.

Your Finances

By ROGER W. BABSON

Mr. Babson points out that despite Commerce Department's report of record personal earnings, wage earners and others are not better off than before, and people are now spending too much. Cites increases in consumer debt, and warns many "are not saving enough."

How heavily, without danger, can you as an individual go into debt? How large a mortgage can you handle and at the same time make installment payments on a new car, TV, and a home freezer? These are good times; the best ever, we are told. Yet, in some sections six times as many persons are failing to meet their installment payments on time today as failed in normal times. How are you fixed?

Roger W. Babson

Are You Rolling in Money?

The U. S. Department of Commerce reported record personal earnings of $268.3 billion for 1952—a 5½% jump over 1951. The payrolls of private industry accounted for much of the increase. Government payrolls, which included the military, were up 13%. The report implies that almost everybody but the farmer should be rolling in money.

The all-time income high for farmers came in 1947 with a net of $16.7 billion. 1950 dropped about 25% from 1947. But Korea boosted output and prices, and the net for the farmers moved up again to a little better than $14 billion for 1951. 1952 dropped back slightly from 1951, and a further 5% drop in net income is expected for 1953. Perhaps the farmer is not rolling in money.

Wage Workers Are Prosperous

Are you one of those whose income has increased? Are you better off today than ever before? You're not! Let me tell you why. A short time ago I saw an analysis of figures on national income. Here's what I found. In 1950, the top 20% of our wage earners held 93% of our savings, leaving 80% of the population with only 7% of the national savings.

We are gleeful about our prosperity, and the wage workers should be very thankful. The average earnings of the industrial worker in this multi-billion-income year of 1953 are $72 per week, which is about $10 per capita higher than in 1951. This sounds like almost everybody is well off. Yet to hear labor union officials talk you would think wage workers are not enjoying their share of the prosperity. Statistics show that these labor leaders are not telling the truth.

Are You Spending Too Much?

If you cannot meet all of your monthly bills on time, including your installment payments, you should make out a careful budget and follow it. You ought now to get yourself back on a pay-as-you-go basis in addition to building up your liquid assets—that is, savings accounts and Government bonds. We must avoid a too large national consumer debt, now $25.7 billion. Our installment credit accounts alone are now reaching $19.3 billion of this debt.

Our national economic problem at the moment is that our consumer debt has been rising faster than has the amount of money that people have available to spend. People cannot continue to go further into debt each year without either increasing their production and earnings or sooner or later experiencing real financial difficulties.

Are You Saving Enough?

In these good times it's also shocking to discover that the median liquid asset holdings of all U. S. families (money readily available, savings accounts, stocks and bonds) have decreased 50%, from $470 in 1947 to $230 in 1952.

Many economists received quite a jolt a short time ago when the Bureau of Labor Statistics announced the results of the financial condition of some 12,000 families it studied in 1950. Its preliminary report read as if the average family was spending that year $200 more than it was taking in. This does not give the complete story; but the situation is serious and should be corrected either by spending less or by producing more.

Let Us All Produce More

Surely our standard of living has increased remarkably in the last decade; people have more refrigerators, appliances, automobiles and homes. We have, however, as a nation, lacked the moral stamina to work harder and longer to deserve these blessings and have reserves for an emergency. Now is the time to save more. Also, try to pay more down on anything which you do buy on installments or other forms of credit.

With J. F. Jordan & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Ruth Bramsley has joined the staff of J. F. Jordan & Co., 92 State Street.

With Renyx, Field & Co.

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — John V. Condon is now associated with Renyx, Field & Co., Inc.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif. — Kenneth E. Merry has joined the staff of King Merritt & Company, Inc.

Paul Davis Quar. Cent. Club Admits Eleven

CHICAGO, Ill. — The Paul H. Davis & Co. Quarter Century Club, comprised of 33 members with 25 years and over of service, held its annual meeting at the University Club May 25. Paul H. Davis presided and presented 11 new members with watches and membership certificates patterned after corporate stock forms.

The new members include Hatfield Smith, a partner of the firm, and Donald J. West, Henry Swenson, John E. Little, Edward F. Sturm, O. Paul Sundell, Joseph H. Powers, Helen Novotny, Carolyn R. Johnson, Alice M. Fiddyment and Andrew G. Bertoncini.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Alfred H. Hauser, Vice-President of **Chemical Bank & Trust Company, of New York** has been elected a Trustee of the **American University of Beirut, Lebanon**, it was announced on May 26 by Harold B. Hoskins, Chairman of the Board of Trustees. The University is the largest American institution of higher learning outside the continental limits of the United States. It was founded in 1866 and is a member of the Near East College Association. Mr. Hauser is also a Trustee of the International College, Beirut, Lebanon and the American College in Madura, India. At Chemical Bank he is in charge of the Investment Department. He is a Trustee of American Surety Company of New York, the Empire City Savings Bank of New York, etc.

Alfred H. Hauser

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George H. Lanier, Jr., President of Lanier Textile Company, Inc., and George W. Walker, President of Neuss Hesslein & Co., have been elected to the Advisory Board of the Textile Office of **Chemical Bank & Trust Company of New York** it was announced on May 26 by N. Baxter Jackson, Chairman. Mr. Lanier is also Vice-President and Director of Wehadkee Yarn Mills of West Point, Ga. Mr. Walker is also President of Marlboro Cotton Mills, McColl, S. C.; President and Treasurer of Caledonia Mills, Inc., Lumberton, N. C. and Lakeside Mills, Inc., Guntersville, Ala., and Treasurer of Commander Mills Inc., Sand Springs, Okla. and of Plymouth Mfg. Co., McColl, S. C.

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Following a meeting of the Board of Directors of **The New York Trust Company** at 100 Broadway, **New York**, held on May 26, Adrian M. Massie, Chairman of the board, announced the following promotions in the Banking Division: Robert F. Loree, Jr., Assistant Vice-President, was elected a Vice-President; and John B. Stalford, Assistant Treasurer, was appointed an Assistant Vice-President.

* * *

Norman Carpenter, Second Vice-President of the Metropolitan Life Insurance Company, has been elected a trustee of **Union Dime Savings Bank, New York.** A graduate of Wesleyan University, Mr. Carpenter has been with the Metropolitan Life since 1927, when he joined the company's appraisal staff. In 1947 he was appointed Assistant Vice-President in charge of correspondent city mortgage loan operations; and in 1950 Third Vice-President. In 1952 Mr. Carpenter was appointed Second Vice-President in charge of city mortgage and real estate operations.

* * *

Robert F. C. Benkiser, a Director and Vice-President of **Grace National Bank of New York**, died at his home, in Pelham, N. Y. on May 21. Mr. Benkiser, who was born in New York City in 1892, joined Grace National Bank in 1917, becoming Assistant Cashier in 1919, Acting Cashier the following year, and Cashier in 1921. He was elected a Vice-President in 1932 and a Director in 1949. He was Chairman of the Lay Advisory Committee of the Willard Parker Hospital, New York; a member of the Pan American Society, Robert Morris Associates, etc.

* * *

Announcement was made on May 25 of the retirement of William G. Genner, as a Director and Vice-Chairman of the Board of Directors of the **Long Island Trust Company of Garden City, N. Y.** For 47 years Mr. Genner was associated with the Bank of Great Neck, and for over a quarter century served as its President. Mr. Genner's retirement from the Great Neck Office of the Long Island Trust Company, which office was formerly the Bank of Great Neck, became effective May 21. It may be noted that the **Bank of Great Neck** recently merged with the Long Island Trust Company, which was formerly the Garden City Bank & Trust Company.

* * *

Dominic Migliardi has been named as Assistant Treasurer of **The County Trust Company in White Plains, N. Y.** Mr. Migliardi, who marked his 30th year of service with the bank last January, is a graduate of the American Institute of Banking.

* * *

As a result of the sale of $75,000 of new stock the **Columbus National Bank of Providence, R. I.** has increased its capital from $625,000 to $700,000, the enlarged capital having become effective on May 15.

* * *

Through the sale of $50,000 of new stock the **First National Bank of Whippany, N. J.**, has enlarged its capital as of May 13 from $100,000 to $150,000.

* * *

Stockholders of **Tradesmen's National Bank & Trust Co.** and of **Land Title Bank & Trust Co.** both of **Philadelphia**, at special meetings on May 25 approved a plan for the merger of the two institutions, a reference to which appeared in our issue of March 26, page 1345. It is expected that the merged bank, to be known as Tradesmen's Land Title Bank and Trust Co., will begin operations on June 22. It will be the fifth largest bank in the city and the seventh largest in the State with combined assets, as of March 31, of $228,385,000, and deposits of $201,473,000. As previously announced, James M. Large, President of Tradesmen's, will be President of the combined bank, and Warren H. Woodring, Land Title Vice-President and Treasurer, will be Executive Vice-President. Howard A. Loeb, Tradesmens Board Chairman, will be Chairman of the Board, and Percy C. Madeira, Jr., Land Title President, will be Chairman of the Executive Committee. The main office of the merged bank will be at Broad and Chestnut Streets. It will have six other offices—16th & Walnut Streets; 320 Chestnut Street; 5th & Chestnut Streets; 5614 Germantown Avenue; Broad and Louden Streets; 19 S. 52nd Street; and, in the process of building, Erie Avenue and I Street. Land Title's title insurance department will be transferred to a new corporation, viz: **Land Title Insurance Co.**, whose stock will be owned by the combined bank. Lawrence R. Zerfing, Land Title Vice-President now in charge of its Title Department, will be President of the new title insurance company which will continue to operate at its present offices. The new company will have a reinsurance reserve of $500,000, and capital and surplus of $2,000,000.

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The capital of the **First National Bank of Mercer, Pa.** has been increased from $300,000 to $450,000; part of the increase resulted from the sale of $100,000 of new stock, while the additional $50,000 was brought about by a stock dividend of that amount. The enlarged capital became effective May 13.

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The Miners National Bank of Wilkes-Barre, Pa., is liquidating agent for the **First National Bank of Dallas, Pa.**, which latter was absorbed by the Miners National on May 15.

* * *

An addition of $100,000 to the capital of the **Farmers National Bank of Salem, Ohio** has been brought about by a stock dividend of $50,000 and the sale of $50,000 of new stock, making the capital now (May 15) $600,000 against $500,000 previously.

* * *

The First National Bank of Girard, Ohio, reports as of May 12 a capital of $250,000, increased from $125,000 by a stock dividend.

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Directors of **Manufacturers National Bank of Detroit, Mich.**, are calling a special meeting of shareholders, June 9, to vote upon a proposed plan to increase the capital stock by issuance of 60,000 additional shares, par value $20. Under the plan, rights would be issued to all shareholders of record June 9, to purchase the additional shares on the basis of one additional share for each five shares held, at $50 a share. The rights would expire June 23. The plan would increase the bank's capital accounts by $3,000,000, raising the capital stock from $6,000,000 to $7,200,000, and the surplus from $10,000,000 to $11,800,000. The bank's latest report of condition, as of April 20, 1953, showed total capital accounts of $21,292,493. Arrangements have been made to underwrite the issue.

* * *

Joseph F. Verhelle announces his resignation as President of the **City Bank of Detroit, Mich.**, of which he will continue to serve as a Director.

From Washington Ahead of the News

By CARLISLE BARGERON

Ladies and gentlemen of the radio audience, hold your hats. You are about to witness an epic struggle and unless I am mistaken, you will be the loser in the end.

A serious effort is going to be made to cut the budget of the Air Force. We are so deeply in the grip of the military that it is almost impossible to cut any branch, but the Air Force—why even the effort is audacious.

Carlisle Bargeron

You are in for a dramatic intermingling of the pocketbook nerve and politics. Watch it closely and you will learn more about the operation of your government in a few weeks than you would ordinarily learn in a decade.

The Democrats have been having a field day over the Republicans' inability to balance the budget. Now they intend to have a field day in obstructing a serious move in that direction. Businessmen, conservatives, who have been in the forefront of the demand for lower taxes—you will find them flocking to Washington now to join in the fight on the side of the Air Force. Already there are more than 100 publicity representatives of the aircraft industry and its related parts, the multiple gadget and equipment manufacturers and suppliers, on hand turning out speeches such as that just made by Representative Yorty of California, demanding the resignation of Defense Secretary Wilson. The propaganda about crippling the Air Force, about throwing ourselves wide open to the Communists that you have already heard is nothing compared with what you are about to hear.

It makes no difference to the propagandists that President Eisenhower, who has recommended the cut, is a military man, the General who commanded our European armies in World War II. The propagandists and their stooges in Congress know better. And going right along with them will be a lot of editors.

The military influence in our government has become so strong that this, in itself, is to my mind one of the most serious problems facing the country today. But the tentacles of the Air Force reach out deeply into the country's industrial veins. The matter of dollars and cents, profits, livelihoods, is involved in how much the Air Force has to spend. When you talk about reducing its funds you are tapping economic veins all over the place.

The charge that a $5 billion reduction in next year's appropriations of the Air Force would cripple it or seriously affect it is ridiculous in the light of the billions which it has been given and which it still has on hand. Indeed, you wonder how there can be any degree of accuracy in the astronomical sums in which the military deals—whether $10 billion this way or that means anything.

However, I do not profess to be an expert in the matter, although I am just as well informed as those who are doing the yelping in Congress and I am certainly well informed about whom and what is turning the wheels in the fight against the reduction.

When General Eisenhower says a certain amount is adequate I am prepared to accept it. And, indeed, this will be the main argument of the defenders of the cut. The President's prestige as a military man offers the only chance the taxpayers have to win.

It will take even more than just this prestige. It will take a determination on the President's part and that determination will involve enforcing discipline among the Air Force at the top levels and the lower ones. In the past the high and even lesser brass has not hesitated to oppose the President in the matter of appropriations. You had the spectacle of open defiance against President Truman in his effort. Even the civilian secretaries of the affected branches have given only lip service to the Commander-in-Chief.

This time the indications are that things will be different. Defense Secretary Wilson is a stubborn man and he has a completely new team of the high echelon to work with. Undoubtedly he will demand their cooperation to the extent that not only must they back him up but will demand cooperation right on down the line.

In fact, there has already been an example of this. Wilson immediately went to work to find out who was responsible for the so-called factual material that went into Yorty's blast and an Air Force major turned up as the culprit. Presumably he has been properly dealt with.

The Democrats apparently expected just such a fight as this to come their way and in preparation for it they placed Senator Stuart Symington, former Secretary of the Air Forces, on the Senate Armed Forces Committee. Naturally he ranks as an authority and in a matter so important as this you would think he would use his knowledge to be a helpful influence. Not at all; you will hear a lot from him about how the Air Force is being wrecked to the detriment of the country's security. As politics go it is not a bad issue for the Democrats. They certainly don't want to see the budget balanced or taxes reduced by the Republicans. The Air Force budget that is being cut is a Truman budget. Politically they have nothing to lose, a lot to gain. But the sad part of it is that it is doubtful if Eisenhower will be able to hold the Republicans.

L. A. Caunter Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Jack M. Savitt has been added to the staff of L. A. Caunter & Co., Park Building.

W. B. Molinare Opens

HOUSTON, Tex. — William B. Molinare is conducting a securities business from offices at 2509 Yoakum Boulevard.

Investing Results by Endowment Funds

By SIMEON H. F. GOLDSTEIN
Executive Director and Comptroller, Harry & Jane Fischel Foundation

Mr. Goldstein's survey of foundations and educational institutions with large endowments indicates securing median yield of 4.75% on book value of investments and 4% on current values. Reports relatively higher yield from real estate holdings. Finds capital gains are not considered income, and depreciation provided on income-producing real estate.

The rate of return earned by major foundations and educational institutions on their investments is interesting for several reasons.

Simeon H. F. Goldstein

It offers a measure against which to check the experience of other similar portfolios. It also gives an indication of the cost or the advantage—in terms of yield—in following a more conservative or less conservative investment policy than do these institutions.

Foundations and educational institutions are free of the restrictions on investments imposed by Banking and Insurance Laws and Departments. They have been investing in equities for a longer time and to a much greater extent than insurance companies, savings banks and the trust departments of commercial banks.

The rate of return computed on the market value of their investments is markedly below that computed on book value in this survey. The substantial increase in price since the assets were purchased, which this implies, reflects considerable equity holdings.

On the other hand, these investors are understood to follow a generally conservative policy in their choice of equities, limiting themselves largely to "blue chips" in stocks, and to properties under lease to well-known firms or other high-class real estate.

The Information Asked

To learn the facts, a letter was sent to 32 major foundations and educational institutions by the Harry & Jane Fischel Foundation, as follows:

"I am writing to a number of educational institutions and foundations with large endowments to obtain information for a survey which we are making of policies regarding investments.

"We would appreciate any data that you would care to give us on the following questions:

"(1) What is the rate of return earned on the book value of your investments?

"(2) What is the rate of return earned on current value of your investments?

"(3) If you sell an investment at a higher price than its cost, do you consider the profit as income available for the operations of your institutions?

"(4) If you own income-producing real estate, do you consider depreciation as an expense in determining the amount of net income available for the operation of your institution?"

The institutions addressed were the foundations, universities and colleges listed in a recent edition of the "World Almanac" as having endowments in excess of $20,000,000. (A few were excluded because it was understood that their investments were largely limited to one corporation or one industry.)

Twenty-seven, or 80%, answered with a reply to one or more of the questions. This unusually high response to the questionnaire gives great validity to the resulting data.

The Rate of Return

Twenty-six institutions answered the question as to the rate of return on book value. Their replies ranged from 3.52% to 10.37%. One-half were between 4% and 5%.

The median was 4.75%.

The average was 5%. This is distorted by the foundation with a 10.371% return, which earns this high yield because it owns a large block of stock which now has a market value almost five time what it was worth when it entered their portfolio.

Twenty-one institutions answered the question regarding the rate of return earned on current value of investments, ranging from 3.25% to 5.43%. Eleven, or a majority, were between 3.70% and 4.28%.

The median was 4%. The average was 4.13%. This indicates what can be expected if money is placed today in the type of asset in which these trustees invest.

Questions 3 and 4, regarding the treatment of capital gains and of depreciation, are interesting in their own right and are also essential if a fair comparison with net income reported by any one else is to be made.

Depreciation Practice

The question regarding depreciation may seem unnecessary. However, in the real estate field depreciation is widely regarded as not being an actual expense. In fact, the provision for it is often referred to as "tax-free income."

This peculiar attitude is reported to have originated in the days of virtually unrestricted immigration into the United States, when the rise in population assured an increase in land values sufficient to offset depreciation of buildings. Moreover, the fact that the 40 or 50-year depreciation period of buildings is beyond the life expectancy of the average businessman makes it difficult even today for real estate people to recognize depreciation. In addition, it is an objective fact that most buildings can stand much longer than 50 years.

However, functional depreciation (the inevitable tendency to become obsolete) is the big factor which gradually destroys building values, and which makes any computation of income failing to provide for depreciation, misleading and unrealistic.

Inspection of a typical older neighborhood in an American city will reveal numerous buildings more than 50 years of age. But, they all are either so old-fashioned that the main value of the property is the ground on which they stand, or were modernized by a substantial additional investment.

The reason for depreciation may be summarized by parodying the famous ballad about Old Soldiers. "Old buildings never die, but their economic usefulness just fades away."

Nine of the replying institutions do not own any real estate, making the question of depreciation inapplicable to them. Sixteen said that they charged depreciation (or some roughly equivalent account). One said that in view of the reserve that has already been built up they no longer charge depreciation. One said that as a matter of policy they do not invest endowment funds in income producing real estate but that they occasionally come into possession of such property through gifts or grants and that on the income producing real estate now held, depreciation is not considered as an expense by them, although in the past they have occasionally done so.

Policy Toward Capital Gains

Twenty-six institutions answered the question as to whether profit on sale of an investment is considered as income available for their operations. They all said no.

While the distinction between capital gains and income is clearly established in law and in accounting, it is often disregarded by individuals. The practice of Congress in extending capital gains treatment to various forms of economic activity as a means of circumventing the deadening effect of politically "untouchable" high income tax rates on initiative and risk taking, may justify this attitude.

However, if endowed institutions were to treat *true* capital gains as ordinary income, they would be consuming principal and thus jeopardizing their future. This is especially important where the capital gain is due to the decline in the value of the dollar, where the "gain," in effect, leaves the institution with the same real net worth and the same real income, which merely happen to be expressed in terms of a larger number of cheaper dollars.

Comparative Return from Real Estate

The replies were analyzed further to determine whether those who invest in real estate obtain a higher return than those who do not. Institutions which replied to the question regarding depreciation by stating that they have no real estate, or very little of it, were placed in the "non-real estate" category while the others were placed in the "real estate" category.

The median return on book value was 4.87% for the real estate category, against 4.17% for the nonreal estate category. (The average, however, was the same.)

As to return on current values, the median was the same for both, viz. 4%. (The average in the nonreal estate category was 4.24% and for real estate only 4.04%.)

Buyers of income-producing real estate generally expect much higher returns than 4%. However, foundations and educational institutions are understood to buy only so-called "quality" real estate. If one limits oneself to real estate which is generally regarded as conservative, and avoids the additional risks of "trading on the equity" by holding the property free of mortgage, there appears to be little justification for a higher return from "quality" investments in real estate than from those in other fields. (Stocks can be sold more quickly, but to investors who are not likely to face a need to raise cash overnight that should not be a major factor.)

It should be noted, however, that these figures are based on yield *after depreciation,* while the real estate yields commonly quoted in the market are before depreciation. Depreciation generally amounts to somewheres between 1½% and 3% of the overall investment, although occasionally it may fall outside of this range, depending on the portion of the investment applicable to the structure, and the buildings' estimated remaining economic life.

* * *

These are some of the investment results of large-scale high-grade portfolios which include considerable representation in equities.

Steady Growth Seen For U. S. Automotive Service Industries

An unprecedented era of growth lies ahead for the nation's automotive service industries, C. A. Benoit, Jr., President of the Permatex Company, major developers and producers of transportation and industrial maintenance chemicals, predicts.

"If national income remains reasonably close to current levels, total service sales volume, including materials and labor, is bound to continue the upward trend of the past 14 years," Benoit forecast.

Between 1939 and 1948, volume of automotive service business in the U. S. rose an average of about 27% annually despite idle new car assembly lines during the four war years and fuel and other shortages which cut mobility and car use to bare minimums.

Several factors will combine to keep the nation's motor vehicle industries growing at an average annual rate of more than 30% each year, Benoit declared.

In the first place, he said, today's cars have greater built-in durability and hence longer life, when properly operated and maintained. The average motor vehicle today is nearly 14 years old before scrapping age, as compared with a scrapping age of only about 10½ years old in the early 1940's.

Mileage served by the average motor vehicle before being scrapped has doubled since 1935, it was pointed out. The average vehicle now doesn't hit the scrap heap until after 116,500 miles.

The total number of motor vehicles scrapped annually has remained at record highs since 1948, but peak production of new cars has more than made up for scrappage. In 1951, for example, more than 6,000,000 new vehicles were registered against 3,569,000 scrapped.

The 54,000,000 vehicles currently in operation are providing an all-time record volume of business and employment for the automotive service industry.

Benoit estimated that the 379,000 automotive service establishments employing 2,000,000 persons in the nation are now doing a gross business of approximately $14 billion per year, with about $11½ billion allocated to sales of parts, accessories, fuel, lubricants, and maintenance chemicals and about $2½ billion to labor.

W. F. Ellison Opens

William F. Ellison is conducting an investment business from offices at 12 East 46th Street.

Impact of World Affairs On Domestic Scene

By A. W. ZELOMEK*

President and Economist, International Statistical Bureau, Inc.

Mr. Zelomek, stating the question before us is based on: (1) is a world peace really possible, and (2) if there is peace will this nation have a major depression. Predicts no relaxation of our defense efforts and no major cutback in defense spending until after the fiscal year 1954. Denies there is nothing to offset defense spending as means of maintaining a high level economy, and answers "no" to question, "Will cutback in defense spending bring on a depression?"

A sure-fire laugh producer in newsreels, year after year, is a view of the stands at a tennis match, with the heads of the crowd swinging from side to side as they watch the play.

A. W. Zelomek

We in America today find ourselves in a somewhat analogous position in relation to world events on the one hand, and the domestic economy on the other. Unfortunately, however, there is no humor involved.

While it is possible to assess both situations individually, and indeed it is necessary to do so, it is most important to consider them simultaneously in relation to each other.

Always, what has happened outside the continental limits of the United States has had some impact on events within the United States.

This impact has varied with the historical period in which we found ourselves. Today, perhaps the most important fact about the world in which we find ourselves is that the relationship between inner and outer events is not only growing deeper, but is one which we cannot avoid even if we would.

The position of this country as the leader of the West is unquestionable. But with that leadership comes many and grave responsibilities. To carry out these responsibilities requires that we have the clearest possible view of where we stand today, and especially of what is likely to happen tomorrow.

The major question before us today, indeed the determining question, is that of peace and war.

It is no accident that I say "peace **and** war," rather than "peace **or** war" since I believe that such a definition is valid for what lies ahead.

To put it another way, in its negative aspect, what we face in the foreseeable future is a "no-peace, no-war" situation.

To date this year, the major news event is the launching of the so-called Soviet "peace offensive."

Whether we accept the fact of such an offensive, or however we react to it, the columns of print that have been devoted to it is clear indication that it is a major factor in our thinking.

Especially important is the fact that many of those columns, which are still being written, appear in the business and financial sections of our newspapers, rather than only in the news and editorial pages.

Will Peace Bring a Major Depression?

Furthermore, a great many speeches have been made by leading members of the Administration, and will continue to be made.

The deep concern with the question is based on two factors:

(1) Is it really possible to have peace in the world today?

(2) If there is peace, complete or relative, will this country have a major depression?

Unfortunately, the road to peace with the Communist world is a long one. Even at the end of the road, there is not certainty of a permanent peace, if historical precedent is any criterion.

There have been three great peace offensives by the Communists prior to the current one. Each wave of reconciliation was motivated and dictated by the urgent need of the Communists for a "breathing spell." Furthermore, each time the Kremlin gained from the rapprochement and the West lost. There is no evidence that the present peace offensive and the apparent desire for reconciliation by the Kremlin is any different from the others.

This is not to say that world tension in the current period will increase. On the contrary, there are some hopes that tensions will ease; but it is likely at the best that they will ease only slightly.

Whether or not anything resembling over-all settlements are achieved, either on a world scale, or limited to specific areas such as Korea, the Far East, Europe, etc., there will continue to be trouble spots throughout the world. This does not necessarily mean that there will be military action going on at any specific moment, but it does mean that the threat of small "localized" conflicts will be ever present.

Given this set of factors, what is the likely course that the United States will take in relation to world affairs; more specifically, what will be the course taken concerning defense build-up of both ourselves and the European and Asian allies?

The answer to this question is being spelled out daily in its various aspects by Administration leaders, headed by the President himself. The course we will take is clearly emerging as one of no relaxation of our defense efforts.

This statement is in apparent contradiction to the daily reports of major cutbacks in the defense program, with the figures being citied in the billions of dollars.

But no contradiction exists, since actual defense spending in the fiscal year ending June 30, 1954, will probably be only slightly less than during the current fiscal year. And I would like to add that it is not out of the realm of possibilities that it may amount to slightly more.

If the budget for a motion picture is $1,500,000, and a request for an additional $250,000 is denied, could that he described as a savings of $250,000? I think not.

That is very similar to what is happening **today**. Requests for spending powers are being cut; but the actual amounts to be spent are very, very close to the amounts being spent during the current fiscal year.

To some degree, the foregoing remarks apply to the question of whether or not peace or relative peace would bring a depression.

It applies because such of the questioning of whether or not there can be a depression rested on the assumption that there would be a major cutback in defense spending, which in turn would bring about serious setbacks in the economic climate of this country.

No Major Cutback in Defense Spending Until After 1954

The simple answer to that kind of assumption is that no major cutback in defense spending is likely in the 1954 fiscal year, and that consequently, a fear of a serious setback is unwarranted.

This is true; but it is also begging the question.

What we have to examine is the probable development of the economy, assuming a major cutback in defense expenditures is possible.

That is a large assumption in this period, but it must be examined, especially since I think that every one of us would happily hail the day that it became realistically possible.

At the present time, the gross national product, which is the total of all goods and services produced in the country, is running at better than $350 billion, or as I like to put it, at one-third of a trillion dollars.

Defense spending, as presently constituted, accounts for about $50 billion, or roughly 14% of the total.

In addition, there is a great deal of private capital spending that has been stimulated by the defense program. The most obvious example of that is the accelerated amortization program of the government, which has promoted $25 billion worth of new defense plant construction.

Those who believe that a major cutback in defense spending would bring about a business setback rest their argument on two basic assumptions:

(1) That there would be nothing to take the place of defense spending in maintaining the economy at high levels, and

(2) That the non-defense sector of the economy is essentially weak.

I do not believe that either assumption is valid.

Even outside of the fact that a major cut in defense spending would **not** mean complete elimination of such spending, the fact that there is a very huge backlog of public works, including much needed highways, etc., amounting to about $100 billion is itself an area where additional stimulation could be provided, if needed.

As to the second assumption, that the non-defense sector of the economy is essentially weak, that argument does not stand up under examination.

At the consumer level, the demand for an amazingly wide variety of goods of all kinds is very strong; and when demand for one kind of commodity is well on the way to being satisfied, another new type of demand is rapidly created.

It is very easy, for example, in today's calm acceptance of the television media to forget the fact that a very few years ago, television was very much of an infant industry. Today, as another example, what is happening in air-conditioning helps carry out the point.

Furthermore, those who assume that a cutback in government spending automatically eliminated purchasing power, forget the very important factor that a cut in spending implies a cut in taxes. And a cut in taxes clearly means increased purchasing power.

Our Economic Anoxia

Also, in examining the state of the economy today, and the probable direction it will take, we suffer from what might be described as economic anoxia.

A pilot who is flying at high altitudes, and who for one reason or another is not receiving sufficient oxygen, begins to lose his sense of judgment without realizing what is happening to him even before blacking out.

In a sense, the same is true of our evaluation of our economy.

For some time now, we have become accustomed to very high, and in some cases, record indicators of economic activity. And it has been true that hardly a month passes that some economic record of one kind or another is not set.

Consequently, a return to lower levels of output is looked upon as a serious decline, overlooking the fact that declines are possible in a number of areas without implying economic collapse. In some cases, declines of as much as 10-15% would leave output levels among the highest in history.

The steel industry provides an excellent example of this situation. Current production of ingot steel is at a 117 million ton annual rate. A cut of 10% would leave output of 105 million tons—and that is higher than in any year prior to this one.

There are many other such examples, and they are not confined to production figures, but embrace such important areas as employment, income payments, etc.

We Will Not Have a Depression

Thus, to the question whether peace and a concomitant or subsequent cutback in defense spending would bring a depression, I once more must answer "no."

To round out the picture, however, another important aspect of the current situation and future trends, must be stated.

It is that there are very likely to be some business declines towards the end of this year, and into 1954.

As implied in my foregoing remarks, such declines do not mean depression, severe recession, or any of the multitude of terms which are currently being bruited about by the pessimists.

To close our eyes to the possibility of **some** declines, however, would not be realistic, and would certainly act to impair future earnings levels.

There are a number of factors present in the current business picture which point either to declines, or the possibility of situations which could prove to be unhealthy.

The situation in respect to a rising level of interest rates, for example, which threatens to overcontract credit, is one that needs to be watched very closely.

But of more general and overriding interest is the position of the ultimate consumer, the man or woman on whom all business plans eventually stand or fall.

Parenthetically, I should like to point out that most industries can operate relative to the consumer's position on a very short-term basis, although long-term considerations are, of course, important. The motion-picture industry, perhaps more than any other, must pay essentially long-term consideration to the position of the consumer, since economic conditions prevailing at the start of producing a picture can be widely different from that at the time of its scheduled release.

The Consumer in Postwar Period

The consumer in the postwar period has been the subject of a very great deal of attention. His income, savings, hours worked, preferences, whims and fancies are all given the closest of attention.

Today, employment is at the highest level in the history of this country, while unemployment is for practical purposes negligible. The same is true of income, whether measured by total income payments, weekly earnings, or hourly wage rates.

In actuality, the most important indicator of current buying power of consumers in general is disposable income. This is income after the payment of income taxes, mostly Federal.

Disposable income levels, like total income payments, are at very high rates, and about 7% over those of a year ago. Nevertheless, a certain amount of close examination is required to determine the real level of buying and spending ability of the consumer.

On the one hand, disposable income is very, very high. On the other, disposable income of the average worker is not as high as during the peak year of World War II.

In spite of the high hourly rates, cost-of-living and tax factors have advanced as rapidly, so that real purchasing power of a worker with a wife and two children, taking the average worker in manufacturing, is under that of 1944.

As long as over-all disposable income levels are at the levels that we are enjoying today, the position of the individual consumer is not, of course, the key in the situation. The key factor is the number of people at work, and the income they receive as a result of that work.

Another apparent contradiction shows up in looking at over-all savings and individual savings in liquid form.

Total consumer savings are estimated at close to $300 billion, a figure often cited as being a solid base for future demand should earning go down.

At the same time, according to the Federal Reserve Board, about three-fifths of all spending units in this country have liquid savings of $500 or less, with a significant portion of those having no liquid savings at all.

On another level, the question of consumer debt is of concern.

Consumer short-term debt, that is debt for the purchase of automobiles, appliances, etc. is at record levels, and is back at prewar ratios to disposable income.

Long-term debt, that is mortgage debt of consumers, is also at record levels, a little over $58 billion, and is easily back to prewar levels.

Are these levels unhealthy?

In themselves, no. As long as income payments and employment stay at relatively good levels, these factors are actually on the positive side, in that they underwrite a very good level of consumer purchasing, and good business conditions generally.

However, and this a big however, should income payments decline to any appreciable degree, the position in the consumer would show very weak spots.

A decline in income, whether in the form of lower levels of employment, lower hourly earnings, or a shorter work-week would act to make the volume of outstanding debt a burdensome factor.

In this discussion, by the way, I am leaving out the question of lower real purchasing power of earnings because of a rising cost of living. The outlook for the balance of this year, and into 1954 is for relative stability of the cost-of-living index, and possibly a slight decline.

Should the decline in income take place, it is highly probable that the consumer will be able to weather the situation without too great a strain.

But it is important to note that consumer spending for a variety of goods and services, would show some declines, even though these goods and services are not in the so-called luxury class.

Thus, the kind of situation described above would make for at least a short-term decline in spending for entertainment in various forms.

As I have indicated above, there are factors on the economic scene which would prevent a long-term serious setback in the business picture; not the least of these is the determination and the ability

*An address by Mr. Zelomek before the Hollywood Executives Club, Hollywood, Calif., May 14, 1953.

of the Federal government to prevent such an occurrence.

Nevertheless, any business planning must take this potential area of weakness into account. For some areas, such as in retailing, it presents a two-fold problem: not only the future of sales, but also the question of what type of credit policies to pursue. And as you have undoubtedly noticed, the banks and other lenders are becoming increasingly concerned with the situation, and are tightening up their interest rates.

Conclusions

We've covered a lot of ground today, from considerations of the situation on a world-wide scale, embracing billions of people, to the individual consumer. And whether we discuss these relationships in the broadest of terms, or in terms of individuals, there is a strong connection. To summarize, I think the key factors in the situation in which we find ourselves today are:

(1) For some time to come, America will find itself in a "no-war, no-peace" situation, and will predicate its foreign policies on that base.

(2) Stemming out of this is the fact that defense spending will not be cut to any major extent during the coming fiscal year, and may conceivably be a little higher than in the year just past.

(3) If a situation arises where it is possible to make major cuts in defense spending, there is no reason to believe that a depression or major recession will take place.

(4) Civilian demand, plus the tax cuts made possible by spending cuts will help keep demand at strong levels.

(5) Some weak spots exist in the economy, and will be evidenced in the form of business declines towards the end of this year and into 1954. The declines, however, will be from record highs, and will leave business operations at generally satisfactory levels.

Detroit Bond Club Annual Outing June 2

DETROIT, Mich. — Arrangements have been made to hold Annual Summer Golf Outing of the Bond Club of Detroit at Meadowbrook Country Club on June 2, 1953.

Program for the day includes golf, starting at 9 a.m. (The first 18 holes will count in the competition for prizes.) Lunch at 12:15 p.m. in the Men's Grill (on your own); putting contest at 3 p.m. for non-golfers (prize for winner and runner-up); dinner at 7 p.m. After dinner prizes will be awarded to winners of the sporting events and a special event will be held of which Frank Meyer, First of Michigan Corp., is in charge. On arrival at the club, members should register at the locker room entrance and pick up envelope containing dinner tickets, etc.

Out-of-town guests are cordially invited. The Committee is sending invitations to a list of friends in eastern and midwestern cities and any committee member may be called for additional invitations. The guest fee is $15, which covers greens fees, dinner, and door prizes.

Members of the Entertainment Committee are T. Norris Hitchman, Kenower, MacArthur & Co., Chairman: Wilfred J. Friday, Siler & Co. John O. MacFarlane, Manley Bennett & Co.; William C. Roney, Jr., Wm. C. Roney & Co.; Philip G. Turner, National Bank of Detroit.

Now Dillon Company

Nancy Dillon is now conducting her investment business under the name of The Dillon Co., from offices at 520 Fifth Avenue.

Monetary Fund's Role in Restoring Convertibility

By IVAR ROOTH*

Chairman and Managing Director, International Monetary Fund

Defending the International Monetary Fund against criticism, Mr. Rooth points out during years since Fund was established, the world was not ready for true stabilization operations. Says Fund now has reserve of $3.2 billion which could be used in promoting currency convertibility, and is now ready to meet the test without a revision of its Articles of Agreement and creation of added machinery to supplement monetary reserves.

The central theme of this meeting—steps to convertibility and monetary reconstruction—is at the same time the most important of the issues with which the International Monetary Fund is concerned. You all know that one of the Fund's principal objectives is to facilitate the restoration of convertibility. The expansion and balanced growth of world trade is a most important element in maintaining high levels of employment and real income and in developing productive resources. The Fund was created because its founders, and the governments they represented, believed that this objective required a system of exchange arrangements that would ensure stability of exchange rates and the elimination of restrictions and discriminations. Several countries have recently shown renewed practical interest in this approach to these fundamental economic problems. It is a hopeful sign that increasing attention is now being given to it nearly everywhere — our discussions today being only one illustration.

Ivar Rooth

The exchange restrictions that had inevitably been imposed during the war could certainly not have been immediately relaxed. In many quarters, however, their maintenance was almost welcomed because it was believed that the protection of full employment at home required expansive monetary and credit policies, irrespective of their effects on the country's international payments position. These policies increased the difficulties of restoring balance in the country's payments, and then more rigid controls were imposed on imports and on other expenditures abroad. There is now widespread doubt whether this is really the best way to achieve the objective in mind. People have become more and more dissatisfied with rigid controls, and governments are more willing to mould their policies in accordance with the concepts upon which the Fund was founded.

Methods of the Fund

The methods by which the Fund hopes to promote higher levels of world trade are not always clearly understood, and it may, therefore, be useful for me to describe briefly the kind of work that we do. In certain circumstances there may be convincing short-run reasons for the elaborate systems of restrictive controls of trade and payments that have been so common since the end of the war. The perpetuation of these things would, however, certainly place an effective brake on the growth of world trade that we all desire. Unstable and unrealistic exchange rates may be another serious impediment checking this expansion. The Fund has been entrusted by its members with the task of helping to bring about an environment in which these impediments can be eliminated.

We try to carry out our task in several ways. The Fund is a forum in which the policies of all members in relation to their foreign exchange arrangements, including changes in their exchange rates, are discussed and examined as a matter of international concern. Our members have an obligation to refrain, except within certain rather narrow limits, from altering their exchange rates without the approval of the Fund. The interests of all trading nations will be affected by changes in exchange rates, and in this way these varying interests can all be taken into account before—rather than after—adjustments are made. When the transitional arrangements have ended the Fund will have similar responsibilities with respect to exchange restrictions and discriminations. Further we can provide short, or rather medium term advances to member countries who find themselves in balance of payments difficulties. The underlying purpose here is to give time so that necessary adjustments do not have to be made too abruptly, and that the normal channels of trade should not be disrupted. Our general policy is that a member drawing on the Fund should repay the Fund within a period of three to five years. In the recent past we have adopted two policies designed to facilitate use of these resources by our members. We give the overwhelming benefit of any doubt to members wishing to purchase foreign exchange within the so-called "gold tranche"—a term that can be somewhat roughly defined as meaning an amount equivalent to the part of a member's subscription that has been paid in gold. The Fund is also prepared, in appropriate cases, to enter into stand-by arrangements with members. Under a stand-by arrangement a member is assured the right to purchase a stated amount of foreign exchange for a fixed period of time. The time announced for stand-by arrangements is six months with the possibility of renewal. We can, of course, consider a somewhat longer period if a member finds that six months is not sufficient time to cover its problems.

Criticism of the Fund

The Fund has sometimes been criticized, particularly here in Europe, as being an institution too rigid to be really useful. Several suggestions have been made for the revision of our Articles or the establishment of various kinds of additional stabilization funds. While I fully understand and appreciate the spirit in which these suggestions have been made, I believe that the Fund can do the job in the period immediately ahead without a revision of its Articles and without the creation of additional machinery to supplement monetary reserves. It is in a position to make substantial sums of convertible exchange available by purchasing other currencies and by extending lines of credit to monetary authorities.

During the last two or three years the Fund has engaged in relatively few exchange transactions. The volume of transactions has recently been slowly increasing. Some of those interested in our activities seem to believe that a permanent pattern of very limited operations has been established. They project the past into the future and assume that the Fund's resources will never be made available except on a small scale. For this assumption, however, there is no justification. It is more logical to suppose that the volume of Fund transactions will vary from time to time, in accordance with changes in world conditions. Already the working rules which have guided our decisions on transactions have changed more than once, and undoubtedly they will require adjustment in the future.

Hindsight now shows that when the Fund started doing business in 1947, the world was not ready for true stabilization operations. Despite that fact, however, the Fund undertook transactions aggregating more than $500 million during its first year of activity. In the emergency conditions that then prevailed, this was undoubtedly the proper thing to do. At this point I might say, parenthetically, that our total transactions have amounted to nearly $1 billion, of which more than one-fourth has been repaid.

The generous scale on which the Marshall Plan was built provided the Western European countries with an opportunity to restore and increase their productive capacity, and enabled the Fund to reconsider its policy in relation to transactions from a somewhat longer run point of view. It was not unreasonable to hope that four years of Marshall Plan aid would so improve the basic economic position of each of the countries concerned as to reduce greatly the risks involved in convertibility. It was recognized indeed that not all of Western Europe's economic problems would be solved by the Marshall Plan, but in view of all the circumstances at that time the Fund decided in 1948 that its resources should be substantially preserved for use as supplementary reserves at the end of the Marshall Plan. During that period the Fund's resources were, therefore, to be used by its European members only to meet unforeseen emergencies not covered by direct aid from the United States.

The Fund's Reserves

Whatever may have been thought of the policy then adopted by the Fund, I think that now we can all be pleased that there remains a substantial pool of reserves in the Fund. The Fund has gold and convertible currencies totaling more than $3.2 billion. Opinions may vary about the amount of supplementary reserves necessary to support general convertibility but $3.2 billion is certainly a large part of what will be needed for this purpose. The monetary authorities in the countries concerned know that this pool of reserves exists. The question in their minds is whether these reserves will be put at their disposal in a volume adequate to support major steps toward convertibility. And I believe that conditions today warrant the expectation by our members that the picture in this respect in the future will be different from that of the recent past.

The reluctance shown by a number of member governments to see the Fund's resources used in substantial volume has not, in my judgment, been the result of unwillingness to take risks. A more important factor has been the desire to avoid using the Fund's resources for purposes other than those for which they were contributed. When countries needed help in the form of grants or long-term loans it would clearly have been wrong to pretend that their problems were of a short-term nature that could be solved with Fund assistance. Today, however, the situation of many of our member countries is different. Some of the basic problems which faced them when the Marshall Plan started have been resolved. Others have been substantially alleviated. Even more important, the climate of opinion, not only among bankers and business men, but also in government circles, has undergone a great change since 1948. The goals of convertibility and free multilateral trade are no longer near the bottom of the list of priorities. Instead, there is an increasing awareness that we should make more rapid progress toward these goals in the period immediately ahead—not to satisfy a dogmatic principle but in the direct and immediate interest of all the countries concerned. "Trade not Aid" is much more than a slogan. It represents a real change in the attitude of Western Europe and the Sterling Area toward their major economic problems.

The manner in which the Fund works and the uses to which its resources are devoted necessarily depend on the attitudes of governments. The new economic climate that is now developing will undoubtedly have important effects for the operations and activities of the Fund. The instrument itself is potentially quite flexible. Sincere and active cooperation by our member governments on constructive and progressive policies can go far toward breaking down any rigidities that critics have seen in the machinery of the Fund. I do not think that any of our member governments will lack either the desire or the willingness to see the Fund provide a substantial volume of assistance for major steps toward the convertibility of currencies. I am convinced that, when any country has instituted basic preliminary measures to place its internal and external policies in order, and is prepared to take some of the risks involved in a move toward convertibility, its proposals will be sympathetically received by the Fund. Our Articles of Agreement will present no barrier. The Fund can be a useful institution in this context if governments are willing to understand each others' goals and to help each other to reach them. There is no reason to doubt that this willingness exists.

Those who have suggested a revision of the Fund's Articles or the creation of additional machinery make an assumption which I do not find convincing. It is assumed that governments and parliaments could more easily agree on a revision of the Fund's Articles, or on the terms under which a new institution would operate, than on the elaboration of a set of policies that would enable the Fund as it is to operate effectively. In fact, the situation probably is precisely the reverse. Moreover, if the convertible assets at the Fund's disposal prove insufficient to support the moves toward convertibility that our members are prepared to take, it would be reasonable to hope that our resources could be increased either by a substantial loan to the Fund or by a general revision of quotas.

In conclusion it should be said that I fully recognize the period immediately ahead as one which will present the first real test of the adequacy of the Fund machinery. Our function as a source of reserves will be tested. We will also have to show that governments can effectively consult and collaborate on international monetary problems. The economic and financial relations of many countries will, during this period, be subjected to stresses and strains. The Fund was intended to be a forum in which these relations could be discussed and solutions worked out to the best advantage of all concerned. The effectiveness of this forum will depend in large measure on the willingness to cooperate of those governments who participate in it.

*An address by Mr. Rooth at the 14th Congress of the International Chamber of Commerce, Vienna, Austria, May 20, 1953.

Signs of Trouble in Home Mortgage Field

By THOMAS E. LOVEJOY, Jr.*
President, The Manhattan Life Insurance Company

Stressing the remarkable growth of mortgage banking since the war, prominent life insurance executive points out reasons why things have been getting tougher in last four years, and says mortgage bankers must be prepared to meet more competition and do a little hard work. Cites higher interest rate on FHA and VA loans and the general rise in long-term money rates as factors to be faced, and foresees saturation point in home building. Urges mortgage bankers to exercise careful screening and otherwise to "get your house in order now."

One of the many remarkable phenomena of our generation, I believe, has been the growth of the mortgage banking business, particularly since the end of the war. What used to be a more or less hit or miss business has grown to be big business, highly technical in many of its aspects, and involving, in the aggregate, tremendous sums of money.

T. E. Lovejoy, Jr.

The mortgage banker can rightly be proud of the part he has played in providing decent homes for the average citizen of our country, as well as the part he has played in providing modern office buildings and stores and factories, which has resulted in more pleasant working conditions. The development of the FHA and, since the war, the VA, is also partly responsible for this improvement in the housing of the average American citizen. But if it had not been for the enlightened exploitation of the FHA and VA by the mortgage banker, such improvement might not have taken place to the extent it has. And I use the word "exploitation" in the constructive sense.

Now, a moment ago I made particular reference to the remarkable growth of the mortgage banking business since the war, and let's see what has happened during that period. There has been a tremendous amount of building of all types of property, but to illustrate what has been going on, since 1945 approximately 7,000,000 non-farm dwelling units have been built. That is to say, during the seven-year period from 1946 through 1952 inclusive, using a figure of approximately 1,200,000 units for 1952, an average of about 1,000,000 housing units have been built each year. During the same period, according to figures from the Federal Reserve Bulletin of March, 1953, the mortgage debt outstanding on all properties increased from $35,500,000,000 at the end of 1945 to $90,600,000,000, according to preliminary figures for the end of 1952, an increase of 55.1 billion dollars. Most of this increase in mortgage debt was absorbed by financial institutions, for, according to the Federal Reserve figures, the mortgages held by all financial institutions increased during this same period from $21 billion as of the end of 1945, to $67 billion, according to preliminary figures for the end of 1952. In other words, during this period the financial institutions absorbed about $46 billion of the total increase in mortgage debt over this seven-year period. This represents about 83½% of the total increase.

Now, 7,000,000 dwelling units is a lot of units, and $55 billion of mortgage loans is a lot of money. The question is, where did the money come from, and what is the breakdown of the source of this money, particularly the 83½% of this increase in mortgages which was absorbed by the financial institutions?

The life insurance companies, I believe, took the greatest percentage of this increase in mortgages, for, according to figures published by the Federal Reserve, mortgages held by life insurance companies increased from $6,636,000,000 as of the end of 1945, to $21,245,000,000 as of the end of 1952, an increase of $14,609,000,000. At the end of 1952, mortgages represented approximately 28% of insurance company assets. Savings and loan associations, which in some areas are competitors of the mortgage bankers, account for the next largest increase in mortgages, showing an increase of $12,128,000,000 for the period from December, 1945 through Sept. 30, 1952. Then commercial banks come along, with an increase of $11,140,000,000 of mortgages during this seven-year period, and savings banks during this same period showed an increase of $7,151,000,000. As already stated, these figures come from the March, 1953 Federal Reserve Bulletin, and although they do not quite balance out, they are accurate enough, I believe, to show the rapid growth of the mortgage portfolios of financial institutions.

If I were sitting there in your places, after getting this bunch of figures, I wouldn't be surprised if my reaction were, "So what?" Well, I think these figures indicate that the mortgage bankers have been doing all right for the last seven years, particularly in the early part of the period, when mortgages were selling at substantial premium, but even when these premiums finally melted away, you still did all right until the last few months, when you found the going really a little tough.

Things Have Been Getting Tougher

There is a reason why things have been getting tougher in the last three or four years. You have been getting a little competition from other forms of investment, and this competition has intensified since the Federal Reserve pulled the pegs on the government bond market in March, 1951. Prior to that time you had in some respects an artificial market for your loans, indirectly supported by the pegs on the government bond market and accentuated by the lack of demand for money from other sources. But that is not the case today. As a matter of fact, it hasn't been the case for the last 18 months to two years. There has been a tremendous amount of plant expansion by our industries, which resulted in their going to the market for funds to finance such expansion. Also, since credit regulations were removed last year, there has been an unprecedented increase in consumer credit. As a result, the old law of supply and demand is beginning to show its ugly head. There are signs that this demand for financing of plant expansion may begin to ease off by the end of this year. So far there has been no sign of easing in the demand for consumer credit. But when a decrease in the demand for credit from these two sources occurs you may find other competition in the form of the United States Treasury. It not only has to fund the deficit which it is going to show for the current fiscal year, and probably next year, but also has committed itself to lengthen out to a considerable extent the maturities of its debt obligations by refunding the present short-term debt into long-term obligations. The recent offering of 3¼% Treasury bonds maturing in 1983 has been called a trial balloon for this program. A billion dollar balloon is quite a balloon, to put it mildly.

One of the things I am trying to bring out is that it looks to me—and I know I could be wrong—but it looks to me as if the honeymoon is about over for the mortgage banker, and he must now be prepared to meet competition and do a little hard work. I might add at this point that when preparing these remarks no announcement had been made with reference to an increase in the interest rate on FHA and VA mortgages. As a consequence of this uncertainty, a big question in my mind was, what effect would such an increase have on what I have to say here today? After giving it careful consideration, I came to the conclusion that if such an increase should be announced before I deliver these remarks, it would not materially change what I have to say. In fact, if anything, it might make it even more timely to warn you to get your house in order now.

In today's market I have some doubt in my mind that a one-half percent increase in the interest rate on VA loans and a one-quarter of one percent increase in FHA loans would really be competitive with other available investments. I have always in my own mind used a rule of thumb as to what might be regarded as a reasonable spread between the yield on long-term United States Treasury bonds and other investment outlets. For instance, a AAA corporate security should yield a minimum of 30 to 40 basis points more than a United States Treasury bond. AA corporate securities should yield 40 to 50 basis points more, and a single A bond 50 to 60 points. When you get to lower quality than that, the spreads get bigger. In other words, a BAA bond should yield 60 to 75 basis points, and mortgages should at least have a net yield of close to 1% higher than United States Treasury bonds. After taking out a servicing fee of one-half of 1%, the net return at par for an FHA or VA loan bearing a 4½% rate would be only 4%. This recent offering of United States Treasury 3¼% bonds makes me wonder if a net return of 4% on FHA and VA loans would be a sufficient spread to justify buying such loans at par. Don't forget that in addition to a service fee of say, one-half percent, an institution has its own internal costs of handling a mortgage portfolio, which must be taken into consideration. I have heard some institutions claim that their internal costs run as low as one-eighth of 1%, but I do not take that at face value. I think something close to one-quarter of 1% as the average cost of an institution's internal costs comes closer to the truth. So an increase to 4½% on FHA and VA loans, when and if it comes, or if it has been announced since I started preparing these remarks, may not necessarily be the answer to your problems or bring about a par market for such loans.

Just to emphasize what I'm trying to bring out, there is one other point that will show you the type of competition you have today. About two weeks ago, the Maine Turnpike offered some bonds to refund their presently outstanding obligations and finance the extension of the Turnpike on a 4% basis. Now, here's a tax exempt bond yielding 4%. Granted it is not the best quality—at least a lot of people say so—it is still 4% on a tax-exempt obligation. The interesting thing is that it was not a howling success. Last week the Detroit Edison, which is a AA credit, offered $40,000,000 of bonds on a 3.75 basis. This offering did not go out of the window, either. Now, how do these offerings look competitively, when you consider the nominal cost of servicing or handling bonds as compared with FHA and VA loans, which involve the heavy internal costs just mentioned? I won't belabor the point any more—I just want to bring these factors out for you to see.

Reaching the Saturation Point

But suppose we take the most optimistic view of the effects of an increase in FHA and VA interest rates to 4½%. It is quite possible that there will be a flurry of building which would result in a substantial volume of mortgages. No doubt you have heard predictions of another 1,000,000 of dwelling units this year; and if this flurry should happen it could mean we would end up with more than a million dwelling starts this year. If an increase of the rate to 4½% should result in an unwarranted volume of housing starts, unrelated to effective demand, it would be too bad because it would be a false burst of activity probaby followed by a sharp drop which could be painful and cause some hardships. I have no figures to substantiate this, but I believe, in view of the large volume of housing built in the last seven years, we may not be too far from the saturation point in housing and may already have reached it in some areas. Also, I have heard some people say that even our industrial capacity may be over-built, particularly so if there is a decrease or stretch-out of our rearmament program, and from what I read in the papers, it looks like we are going to have such a decrease or stretch-out regardless of whether or not there is peace in Korea.

When the saturation point has been reached, I do not believe all building will stop, because I think there will always be some building and some creation of new loans. However, it is my thought that this period of substantially reduced building activity might last for several years until the crop of war babies born in the early '40s begins to grow up and create new families. When that takes place, there will be another wave of building and creation of mortgages.

No doubt you have heard that the reason for the delay of an announcement of an increase in rate on FHA and VA loans has been resistance to such an increase by the Veterans Administration. I have heard, and you also have probably heard, that as a counter-proposal, the Veterans Administration prefers to leave the rate at 4% and legalize a discount of 3%. The idea of discounts is all right in theory but I don't think it is practical and I do not believe it will produce the results intended. In other words, that does not answer the problem. To be competitive in today's market the discount should be much greater in the first place, but I think that is a dangerous practice, because first, it is likely to be misunderstood by the public, and second, it opens the door to abuses and criticism of the lenders.

Some Suggestions in Getting Your House in Order

It is not my nature to be pessimistic—in other words, I don't believe in just throwing up your hands in horror and giving up. When I see signs of trouble ahead my first reaction is to begin to figure out how to meet it. And now we get to the point of what I came down here to say to you about "getting your house in order now."

To begin with, I think it only fair to say that I am quite sure many of you are already doing many of the things I am going to suggest. But I think it only proper, in order to do a thorough job, that I bring out all the suggestions that come to my mind. For instance, if you have not already done so, I think very careful screening should be made of all new purchasers of homes, to be sure that they have the capacity to meet their mortgage instalments and not materially cramp their living standard. You certainly don't want to take on additional collection headaches by careless selection of home buyers.

Another thing, in the case of VA loans, is that even though the restrictions have now been lifted and you can make 100% loans, under the VA, I think it would be unwise to sell homes indiscriminately to veterans with 100% mortgages. On this particular point I have been wondering if it would not be a good policy for an institution to vary the discount prices it would pay for VA loans according to the amount of cash paid in by the veteran at the time he buys the home. This, of course, in addition to the usual screening of the loan on security and ability to carry the loan. That's just a thought, it hasn't jelled yet, but I am sure the same type of thinking has been going through the minds of other institutional mortgage buyers.

One thing of primary importance which no doubt most of you are already doing is to tighten up on your collection procedures. Actually, you are doing a disservice to the home owner if you let him get into bad paying habits in regard to his mortgage. A tough collection policy, exercised with discretion and understanding, pays dividends, helps the home owner to preserve his home and investment, and in the long run saves the mortgage bankers internal costs. Prompt action is cleaner and cheaper. This is something I can say with assurance, because I began to learn about the handling of mortgages in the 30's and have seen what a timid collection policy can do to an institution's mortgage portfolio.

Now, this next point touches on a problem that I guess we have all had in recent years—competent help. There is no need to go into the caliber of help we have been having in recent years. However, some progress can be made in bringing about improvement in the efficiency of your help by a lot of patience and understanding, but insistence on effective work by the employee. Generally speaking, if the boss takes the time to try to explain to the clerk why he or she is asked to do a certain job and how important that particular job is to the overall operation, the employee then is more likely to show some interest in what he or she is doing, and try to give a decent day's work for a day's pay.

Mechanization, where it can be done profitably, is a very desirable step to take. No doubt most of you have done that already, but perhaps your machines are now out of date and there are more modern machines available that would result in further economies in your operation. On this question of mechanization and simplification, however, I have a feeling that it can sometimes be over-

*An address by Mr. Lovejoy before the Texas Mortgage Bankers Association Convention, Dallas, Tex., May 7, 1953.

done. For instance, the installation of I. B. M. machines might be OK for one fellow, but not someone else, and is not necessarily the cure-all for every mortgage banker's accounting problems. Try to work out the accounting procedure and get the machines which fit your individual situation and which are most effective and economical for you. And bear in mind that simplification can be carried to a point where you lose control.

Another practice that has grown up in the mortgage business in the last two or three years, of which I highly disapprove, is the mortgage correspondent offering to service loans on one-family dwellings at one-quarter of 1% or less. I have never approved of this practice and think it should be discontinued. No business arrangement is sound or good unless both parties to the arrangement profit by it. The servicing end of a mortgage correspondent's business should carry itself and preferably should throw off a little profit. I don't see how that can happen if a large volume of any mortgage banker's business is on a servicing arrangement of one-quarter of 1%. Now I am going to stick my neck out. We have accepted a few offerings—not many—of loans with a one-quarter of 1% servicing fee, but when we did it, it was with the thought in the back of our minds that some day the men who sold us these loans will come to us and say that they cannot survive if they continue servicing loans at a ¼% rate. I hope, because I have said this, that no one in the audience from whom we may have purchased loans with a ¼% servicing fee will meet me after this session is over and go to work on me.

Strengthening Your Subsidiary Income Sources

One final suggestion I have to make is that you search for other sources of income. For instance, most of you, if not all of you, have a secondary source of income in your present operation from your commissions on fire insurance and other lines of general insurance. I am sure that with ingenuity you might find in your respective communities other sources of income which will contribute to the maintenance of a sound operation in your office. One suggestion I have is to give consideration to mortgage redemption insurance as one of the other tools you have in your kit. To me it is a natural round-out of any package that you sell to a home buyer. Statistics have shown that for every home lost due to a fire, there are 16 homes lost due to the death of the head of the family. However, a lot of you are hesitant to undertake any such operation because you feel that perhaps you will antagonize some of your clients. I will admit that there is some merit to that objection. But where there's a will there's a way and perhaps some day you will come to realize the value of such an operation and enthusiastically seek to find some way to offer mortgage redemption insurance to your home buyers. When you get to the point of giving consideration to this suggestion, I would like to remind you that the Manhattan Life has the best mortgage redemption policy on the market, gives the best service, and has been doing business in Texas for over a hundred years.

What I am going to say now may not be too popular, but any institutional man should, if he is doing his job right, want a mortgage correspondent to have a profitable operation and should be interested enough to ask for statements which would enable him to find that out. It isn't idle curiosity if a mortgage banker is asked how he is doing—for instance, I don't care what the boss may be taking out of his business in the form of salary, dividends, etc., when I ask for a copy of his auditor's statement. What I am interested in is whether or not his business is making money. Is his servicing carrying itself? Are his profits primarily from originations or some other source? So it would be my suggestion that you should not resent any questions of that kind that may be asked. Very frankly, we have had the satisfaction in the past of pointing out to one or two of our correspondents weaknesses in their operation where they were kidding themselves that they had a sound business when actually, if they hadn't had their origination fees, they would have been losing money. And then we followed through and helped them get their operation on a sound basis.

"We Have Abandoned Policy of Lifting The Economy by Its Bootstraps"

So says Victor B. Gerard, Chairman of Financial Section of the American Life Convention and Treasurer of Commonwealth Life Insurance Company, Louisville, Ky.

Speaking in support of the "courageous and far-sighted monetary policy" of the Treasury and the Federal Reserve before the Advanced Finance Classes at the University of Kentucky Victor B. Gerard, Chairman of the Financial Section of the American Life Convention and Treasurer of the Commonwealth Life Insurance Company, Louisville, Kentucky, stated that "Some politicians and a few special interests are crying 'wolf' because the Federal Reserve has stopped supporting Government bond prices and stopped flooding the country with printing-press money that has been sending prices skyrocketing since the end of the war. These people also see the spectre of deflation stalking through the nation because the Treasury has recently taken a cautious forward step in the direction of a balanced financial program by issuing long-term bonds."

Victor B. Gerard

"If deflation occurs," Mr. Gerard contended, "it will not be because the Federal Reserve and the Treasury have at long last reverted to orthodox economics and sound finance. Rather it will be the aftermath of the inflationary excesses directly attributable to the substantial expansion in the money supply brought about by the support buying of U. S. Government bonds by the Federal Reserve System and the sale by the Treasury of short-term securities to commercial banks which paid for them with money they created by bookkeeping entries.

"We have abandoned the policy of manufacturing credit—of lifting the economy by its bootstraps. It so happens that with the supply of additional credit thus reduced and the demands for money continuing to increase, interest rates have risen somewhat; but this rise is merely an incidental feature of the basic program to eliminate further artificial expansion in the money supply.

"It is important to recognize that interest rates are still low by any historical measure. They have risen only in relation to the artificially depressed levels of recent years. Current interest rates record existing conditions of supply and demand for funds in the open market. Rates are no longer being manipulated from Washington.

"The new Administration does not have an exclusive patent on the present fiscal program. A halt to unwise monetary policies was first achieved through the skilful leadership of Democratic Senator Paul Douglas early in 1951. The policy that was then established was carried out, and is still being carried out, most ably by Chairman Martin of the Federal Reserve System—an appointee of former President Truman.

"The fact that we are no longer pouring gasoline on the fires of inflation by recklessly manufacturing additional credit will prove a blessing to the nation. It should prevent our current boom from getting out of hand; and by slowing down the rate at which consumers are now burdening themselves with debt, and by postponing marignal business expansion, should reduce the severity of any future business readjustment."

Vanderbeck Named V-P Of N. Y. Stock Exch.

William K. Vanderbeck, who has spent his entire business life with the New York Stock Exchange, has been elected a Vice-President of that institution, G. Keith Funston, the Exchange's President, has announced.

He began his career with the Stock Exchange as a messenger after being graduated from high school in January, 1928, continuing his education at the New York Stock Exchange Institute.

After several months, the newly-elected Vice-President was transferred to the Exchange's Committee on Business Conduct—now the Department of Member Firms—where he served in various capacities.

During World War II, Mr. Vanderbeck served as a U. S. Naval Reserve officer from July, 1942, to December, 1945, emerging with the rank of Lieutenant Commander.

Shortly after he returned to the Stock Exchange, he was appointed an Assistant Manager of the Department of Member Firms. In May, 1949, he was promoted to the position of Assistant Director of the Department of Floor Procedure, and he was appointed Director of that department in March, 1950.

W. E. Hutton Vice-Chm. Of N. Y. Stock Exch.

William E. Hutton was elected Vice-Chairman of the Board of Governors of the New York Stock Exchange, Keith Funston, President, announced.

Mr. Hutton, a partner of W. E. Hutton & Co., has been a member of the Exchange since 1940 and a governor for the past three years. He succeeds David Scott Foster, whose term as a governor expired May 18.

Mr. Hutton entered the securities business in 1930 as an employee of his present firm, becoming a partner in June, 1933. During World War II, Mr. Hutton saw active service with the United States Navy as a Lieutenant Commander on board the U. S. S. Wasp to which he was assigned for 22 months.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Rising money rates continue to dominate the attention of investors interested in bank operations and bank stocks.

Since the accord of the Treasury and the Federal Reserve in March of 1951 which resulted in the withdrawal of fixed price supports for government bonds, there has been a dramatic change in the level of interest rates.

This change is illustrated in the following comparison of representative rates at various dates.

	Current	End of 1952	Change	End of 1951	End of 1950	Change 1950 to Present
Prime bank rate (New York)	3.25%	3.00%	+0.25	3.00%	2.25%	+1.00
Treasury bills	2.06	2.00	+0.06	1.77	1.35	+0.71
Ctfs. or notes (about 1 yr.)	2.59	1.91	+0.68	1.82	1.49	+1.10
Treasury bonds:						
2s Dec. 1952-1954	2.50	2.24	+0.26	2.18	1.80	+0.70
2¼s Sept. 1956-1959	2.83	2.42	+0.41	2.34	1.95	+0.88
2½s Sept. 1967-1972	3.08	2.78	+0.30	2.68	2.28	+0.80
2½s Dec. 1967-1972 (incl.)	3.06	2.80	+0.26	2.74	2.45	+0.61
Corporate AAA bonds (*)	3.35	2.99	+0.36	3.04	2.67	+0.68
Munic. high grade bonds (†)	2.74	2.42	+0.30	2.13	1.72	+1.02
Railroad BAA bonds (*)	4.02	3.72	+0.30	4.12	3.55	+0.47

*Moody's. †Standard & Poor's.

These changes in yields are, in part, a reflection of the restrictive credit policy adopted by the Federal Reserve to prevent further inflation. Since the change in Administration last November, this policy has been pursued more aggressively and has been accompanied by private demands for funds of record proportion.

The resulting stringency in the money market has forced short-term rates to the highest levels in 20 years and required a sharp downward adjustment in the prices of outstanding marketable obligations including governments.

The adjustment has been noteworthy in municipal securities, where despite a tax advantage, the weight of offerings has forced yields to rise more rapidly.

The impact of these changes in interest rates on bank stocks has been generally favorable. Operations have improved substantially because of the rise in yields and the expansion in demand for credit. Although taxes have also gained, including in some cases an excess profits liability, the large increase in gross has been sufficient to offset higher expenses and taxes, enabling most of the banks to report a sizable improvement in net operating earnings. As a result the banks have increased their dividend payments. Because of this and the improved operating outlook, bank stocks have risen in price and are now considerably above the levels of 2½ years ago.

In spite of the increase in market prices most of the New York bank stocks are now yielding approximately the same as at the end of 1950 and 1951. In other words, the movement of bank stocks in this period has been largely determined by changes in dividends. Where dividends have been increased or the prospect of a larger payment fairly certain, the stocks have risen.

A similar pattern would seem to be in prospect in the coming months. As investments for income purposes, bank stocks are not nearly so attractive today as they were two years ago when the general level of interest rates was much lower. For this reason, we would not expect bank stocks as a group to rise in the market.

This does not mean that in individual instances, where larger dividends are in prospect the market action will not be favorable. On the contrary, there seem to be several cases where the improvement in earnings will be reflected in larger payments and higher stock prices.

It is in this area where the best opportunity for capital gains in bank stocks is believed to exist. In other words where capital gain is the objective, investors in bank stocks should be quite selective at the present time.

Joins R. S. Dickson Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Townsend Budd has joined the staff of R. S. Dickson & Co., Inc., Grant Building.

Douglass & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Edwin A. Buckheim, Jr. has been added to the staff of Douglass & Co., 464 North Bedford Drive.

With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO.—Herman A. Stein has become associated with Investment Service Corporation, 444 Sherman Street.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Margaret D. McGurk is now affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street.

With Keller Bros. Securities

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Dorothy Roosov, formerly with Hodgdon & Co., has joined the staff of Keller Brothers Securities Co.

Joins E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William H. Engquist is now affiliated with E. F. Hutton & Company, 623 South Spring Street.

Who Said Gold Standard?

By LEWIS P. MANSFIELD
Partner, Stevenson & Mansfield
Investment Managers, San Francisco, Calif.

West Coast investment counselor, in ascribing inflation of the last two decades to lack of a gold redeemable currency, says "sooner or later the meaningless nature of our dishonest money will find us out." Refers to successful resumption of gold standard in 1879, and asks "What are we waiting for now?"

A whole generation has grown up since the world had a true gold standard. In 1933 the United States with the largest supply of gold possessed by any nation, and with the flimsiest excuse, severed its money from gold and thus followed the parade of those countries which abandoned the gold standard of money for compelling reasons. But we had no compelling reason unless good politics can be called a good reason.

Lewis P. Mansfield

The Gold Reserve Act of January, 1934, became law at a time when this country had just emerged from a deep and rather terrifying depression, and it was unfortunate that a serious and fundamental matter like a standard for money had to be settled during an emotional crisis. It was analogous to the passage of the 18th Amendment and the Volstead Law. Sin in haste, repent at leisure. The Gold Reserve Act placed the crown of approval upon all the Congressional Acts and Executive Orders of 1933 which had served to outlaw gold as a medium for money and had rendered its possession by American citizens illegal. The idea was, of course, to free the government from the fetters of gold and permit the unrestrained issuance of money unredeemable in gold.

It was thought also that this process would give the government a large profit (in terms of unredeemable money) and would boost prices of goods so that business would improve with rising prices. And, of course, reelection would follow good business and rising prices. Politics!

Well, it worked—and unfortunately it is still working. That is to say, business is still "good," and prices and wages are still tending to rise. Likewise costs of everything are tending to rise but the profit pinch is becoming more and more evident—that is to say, the margin earned on capital investments is steadily shrinking. The country, in a word, has become drugged with the tonic of unredeemable paper dollars and only because production is high and employment is high do we fail to be impressed by the rotten foundation upon which our inflationary structure is reared. It is of little moment to the mass of our citizens that a large segment of thrifty Americans has been defrauded by paper dollars and high prices, for in general the overall prosperity of the last 15 years has concealed the basic weekness in our monetary structure.

Worse still, the defenders of our money-system can correctly assert that we are still on a gold standard. Their assertion is true to the extent that we have in our laws an official price for gold, namely $35 per pure ounce. Their assertion is true also to the extent that the United States Government still has the right to deal in gold at this price with central banks of foreign governments and also for industrial use in this country. Furthermore, it is true that we have a gold standard because our 12 Federal Reserve Banks are required to hold Gold Certificates to the extent of 25% of the money and deposits which they create.

But here pretense of a gold standard ends, for alas, the very essential of our traditional gold standard is absent. We, the citizens of free America, are prohibited by our own laws from demanding the very metal upon which our money is based. We have sold our birthright for a mess of pottage. We have bargained away an honest money for a mere paper-money-of-account. We have rendered unto Caesar more than Caesar was entitled to—our very substance, the gold metal which served this free economy well for over one hundred years.

No sophistries, no smooth words from politicians or bankers or business tycoons pleased with the present state of things can eclipse the truth of our moral, monetary bankruptcy. Sooner or later the meaningless nature of our dishonest money will find us out. Sooner or later the cry of a desperate people for Government largess, pump-priming, dole, will force the money managers, Democrats or Republicans, to turn the spigot wide open. God help us then!

We hear proposals to form committees to study the problem of gold and the gold standard. We hear doubting Thomases talk about the danger that with a redeemable dollar, all our gold will be withdrawn. We hear it said that we must not resume the gold redemption standard at the present price of $35 per ounce because the gold miners cannot make profits at that price. We hear many things. But what we do not hear is the wee, small voice of conscience, the voice of America which knows in its heart that money is good only if its content is good, that gold is the only money which has proved its endurance as sound money since the days of the prophets.

The platform of the Republican party upon which President Eisenhower was elected, contained a plank asserting that it was the party's policy to restore sound money and a redeemable gold standard. But from Washington we hear of no serious effort to implement this policy in the only way it can be implemented—enactment of a law. Bills to create a redeemable gold standard have been filed in Congress, but so far the party leaders have remained eloquently silent with respect to them. It is the over-whelming opinion of those economists and scholars who have studied the subject of gold for many years that disaster awaits us unless we return before long to gold. It is their serious judgment, backed by precedents of history, that there is ample gold in the United States to make it safe for us to resume a gold convertible standard and maintain it. It is plain, in their opinion, that waiting for a balanced budget or for improvement of economic conditions abroad, or for some other reason, is irrelevant. Now, they say, now is the time.

We resumed a gold standard in 1879 after a long and severe depression with a tiny gold cover for our money—and the resumption was a signal success and was followed by a decade of prosperity without inflation.

What are we waiting for now?

Public Utility Securities

By OWEN ELY

Boston Edison Company

Boston Edison Company was founded in 1886 and has paid dividends on its common stock in every year since 1897. It serves about 450,000 customers in Boston and some 39 other cities and towns in the metropolitan area. While New England is not noted as a growth area, net system KWH output has increased about 91% since 1942. The company has two elements of stability—the small proportion of industrial business and the high equity ratio. In 1952 residential business was about 32% of total revenues, commercial 31%, and industrial 14%, while sales to other utilities were 16% and miscellaneous sales 7%.

Following is the common stock record in the past five years.

Years	Share Earnings	Dividends	Approximate Range
1952	$3.30	$2.80	52-45
1951	3.16	2.80	47-41
1950	3.13	2.80	51-38
1949	2.91	2.80	47-40
1948	2.90	2.50	43-36

At a recent luncheon forum talk before the New York Society of Security Analysts, Mr. T. G. Dignan, President of Boston Edison, discussed the economic situation in his area. While the population has remained constant in New England over the past year or so, the abundance of skilled manpower is a favorable factor for future industrial development. Although there has been a decline in the textile industry, this has been offset by an increase in other industries, notably those connected with electronic research. Mr. Dignan held that there is no reason to fear a recession in the New England basic industries, since employment and gross output are running well ahead of the same period in 1952.

A new express highway is being built west of Boston and the company should benefit substantially in the future due to the new factories and homes that will be built in order to have access to this road. The highway should eliminate a great part of the heavy traffic that now pours into metropolitan Boston.

Boston Edison's present generating capacity on a nameplate rating basis is 720,500 KW compared with the December peak load of 651,000 KW (the latter was 10% over 1951). Unit No. 6 of the Edgar Station, currently under construction, will add 81,250 KWH. When this unit is completed the company will have increased its rated capacity 75% since V-J Day.

Over the next 2½ years the company will need $58.4 million for its plant construction program. It contemplates spending $19.1 million this year, $23 million next year and $16.3 million during 1955. About 60% of the total amount (including a proposed common stock issue) will come from investors. The remaining 40% will be raised from internal sources through retained earnings, which now amount to about $18 million, and through future bank borrowing. If the company resorts to financing in 1954 it will probably be through debt. A comparison of present capitalization (Dec. 31, 1952) with 1951 and 1942 year-end ratios is as follows:

	1952	1951	1942
Long-Term Debt	46%	42%	33%
Common Stock Equity	54	58	67

In the 12 months ended March 31 Boston Edison earned $3.33 a share compared with $3.23 in the previous period. Selling around 50 on the Boston Stock Exchange and paying $2.80, the stock yields 5.6%, and sells at about 15 times earnings. Listing on the New York Stock Exchange is being actively considered, but no decision has yet been reached.

On June 2 stockholders will vote on the proposed issue of 246,866 shares of common stock to be subscribed for on a 1-for-10 basis—the first equity financing in many years. The management expects the new issue should net the company about $12 million which will be used to pay for this year's construction program.

Los Ang. Bond Club Sets Field Day

LOS ANGELES, Calif. — The sixth annual Field Day of the Bond Club of Los Angeles will be held on Friday, May 29 at the centrally located Wilshire Country Club with all day tournaments in golf, tennis, baseball, horseshoes, dominoes and gin rummy, according to Curtis Bingham, Bingham, Walter & Hurry, Inc., President.

Lewis Whitney of Dempsey-Tegeler & Co., is General Chairman of the Field Day program, assisted by a committee consisting of William Witherspoon of Witherspoon & Co., Robert C. Crary of J. Barth & Co., Sam Green of Pledger and Co., and Dick Jones of Mitchum-Tully.

Mr. Witherspoon will be assisted in the matter of "sports and allied activities" by Charley Gooding of W. R. Staats & Co. (horseshoes), Earl Kitchell of Wagenseller & Durst (tennis), Bob Diehl of Paine, Webber, Jackson and Curtis (baseball), Al Jack of E. F. Hutton & Co. (gin rummy), and Lloyd Young of Lester, Ryons & Co. (dominoes). Sam Green of Pledger & Co. is Chairman of special events and Dow-Jones contest committees; Dick Jones of Mitchum Tulley & Co., entertainment; Robert C. Crary of J. Barth & Co., trophies and publicity.

This will be the club's sixth annual field day and outing for the Spring Street crowd, according to Mr. Bingham, and promises to be the best. With the Wilshire Country Club located at such a short distance from downtown Los Angeles, members will be able to make greater use of all the available facilities than ever before.

Joins Hill Richards

(Special to THE FINANCIAL CHRONICLE)

CAMPBELL, Calif.—Myron L. Fairchild has become affiliated with Hill Richards & Co. of San Francisco. Mr. Fairchild was formerly Campbell representative for Hannaford & Talbot.

Keene & Co. Formed

Keene and Co., Inc. has been formed with offices at 120 Broadway, New York City, to conduct a securities business. Officers are J. D. Keene, President; Linda Noles, Secretary, and Florence Wood, Treasurer. Mr. Keene was previously with Barrett Herrick & Co., Brady & Co., and Frank M. Cryan & Co.

First Boston Group Underwrite Phillips Petroleum Debentures

One of the largest issues of convertible debentures ever offered stockholders through negotiated underwriting marks the current offering by Phillips Petroleum Co. of $162,098,500 of 3.70% sinking fund debentures, due June 1, 1983. The company is offering, for a two-week period, to holders of its common stock on May 26, 1953, rights to subscribe to the debentures in the ratio of $100 principal amount for each nine shares of common stock held, at a price of $100 per $100 debenture. The debentures are convertible into common stock of the company until June 1, 1963, unless previously redeemed, at $65 per share until June 1, 1958, and $72 per share thereafter until June 1, 1963. The First Boston Corp. heads a nationwide group of 215 investment firms which will purchase from the company any unsubscribed portion of the issue.

Commencing June 1, 1955, an annual sinking fund of $5,590,000 provides for retirement of the entire issue by maturity. General redemption prices range from 103⅝ on or prior to June 1, 1954 to par after June 1, 1982.

Phillips Petroleum, ninth largest oil concern in the United States, will use a portion of the proceeds to prepay $75,000,000 of bank loans, with the remainder to be available for capital expenditures and other corporate purposes. It is anticipated that a portion of the balance will be used to prepay in March of next year additional bank loans not to exceed $38,000,000. During the past five years, capital outlays aggregated $671,151,000. Estimated expenditures for the present year total approximately $185,000,000.

Engaged in virtually every phase of petroleum industry operations, Phillips derived more than one-half of 1952 gross operating revenues from refined petroleum products, 18% from crude oil, and lesser percentages from natural gas liquids, aviation gasoline, natural gas, fertilizer, and other products. At the close of 1952, total proved reserves in the United States, excluding tidelands leases, were in excess of one and one-quarter billion barrels of crude oil, condensate, natural gasoline and other natural gas liquids and 17.89 trillion cubic feet of natural gas. The company also owns a one-third interest in American Independent Oil Company, holder of a one-half interest in the 1,650,000 acre Kuwait-Saudi Arabian Neutral Zone near the Persian Gulf. Phillips also holds extensive exploratory and producing leases in Canada and South America.

During the past six years, revenues have increased from $302,771,000 to $723,092,000 and net income from $40,893,000 to $75,284,000.

Urge Caution in Large Scale Federal Refunding Operations

According to a bulletin entitled "Refunding the Public Debt," issued by Dean G. Rowland Collins, Director, and Dr. Marcus


G. Rowland Collins Marcus Nadler

Nadler, Research Director, of the Institute of International Finance of New York University, large-scale refunding of excessively large floating public debt at this time through issuance of long-term bonds with a higher rate of interest could have an adverse effect on the economy.

If mishandled, the bulletin states, refunding could not only have a detrimental effect on business activity but saddle the nation for years to come with higher rates of interest and an increasing debt burden which may prove to be unwarranted. Lengthening of maturities of outstanding Federal obligations does not appear to be a pressing problem. There is no special urgency to reduce the volume of bank-held debt, since business activity and the price structure have caught up with the supply of deposits created during the war. It must be noted, moreover, that a large amount of the floating debt is held by nonbank investors. There is, therefore, little danger that the Treasury will run into difficulties because of the frequent need of refinancing large amounts of maturing obligations. Since these obligations are held primarily for liquidity purposes or for making quarterly tax payments, or in anticipation of higher rates of interest on long-term obligations, they can always be replaced by other short-term securities at the prevailing interest rate.

It is true that with a large floating debt the Treasury at times may have to pay a high rate of interest. But if the newly issued obligations are of short maturity this rate will be paid only for a relatively short period. On the other hand, it must be kept in mind that constant refunding operations may interfere with the credit policies of the Reserve authorities.

In discussing the possible impact of refunding on the money and capital markets, the New York University study asserts that if refunding results in a material reduction in the supply of short-term government securities held primarily for liquidity purposes, it will lead to a widening in the yield spread between short-term and long-term obligations. Banks and other institutions needing liquidity would continue to be bidders for bills, certificates, and other obligations coming due within a year. Since the supply would be reduced, this demand could lead to a decline in the yield of short-term obligations. On the other hand, the increased supply of medium- and long-term obligations might lead to an increase in the return on those securities.

If a large-scale refunding operation reduced the volume of government obligations held by the commercial banks, it could also lead to a decline in the volume of bank deposits. The refunding policy could also affect the money supply through its impact on the volume of reserve balances. If the Reserve Banks were to permit part of their government holdings to mature without renewing them this would result in a reduction in reserve balances, since the Treasury would have to replenish its balances with the Reserve Banks by transferring to them balances from the member banks.

The loss of reserves by the latter would reduce their lending and investing ability. Such a policy is desirable during a period of inflationary pressures caused in part by a rapid expansion of bank credit. In periods when business activity is on dead center, and particularly when deflationary forces appear on the horizon, such a policy is not desirable. According to the authors, this seems to be the situation at present.

In formulating a long-range refunding program, the Institute's bulletin points out, the Treasury will also have to take into account the liquidity requirements of commercial banks, insurance companies, and industrial corporations. In recent years the banks have satisfied their liquidity requirements mainly through holdings of Treasury bills, certificates and notes, which since 1949 have made up about 15% of total deposits. Excess reserves, which before the war played a large role in helping the large banks meet their liquidity needs, have dwindled. Moreover, since the adoption of the flexible open market policy, the former riskless method of replenishing reserves through the sale of government obligations to the Reserve Banks has become uncertain and risky. The banks have therefore been forced to rely more on discounting to meet their reserve requirements.

Other financial institutions, and notably the life insurance companies, have also acquired large amounts of short-term government obligations in recent years. The purpose of this policy was primarily to have liquid assets readily convertible into cash and thus enable the insurance companies to meet their heavy commitments in mortgages and loans to industry.

Similarly, since the beginning of the war business firms have been buying large amounts of government obligations, the greater portion of which consists of Treasury bills and certificates. The short-term obligations are held by corporations partly to meet their current cash requirements and partly to accumulate funds to pay taxes on the quarterly payment dates. It may be assumed that the short-term government securities held by business concerns as part of their working capital will not be converted into long-term obligations because the latter are less marketable and fluctuate more widely in price. No matter how attractive a long-term rate of interest may be, a business corporation will not invest a substantial part of its working capital in long-term government obligations. This was proved during the February, 1953, refunding, when only 7% of maturing certificates totaling $8.9 billion were exchanged for new bonds. On the other hand, a relatively high coupon rate on long-term obligations will induce institutional investors to convert a portion of their short-term holdings into long-term securities.

It is therefore evident that the Treasury must leave outstanding a large volume of bills and certificates in order to enable business in general and the banks in particular to maintain their liquidity requirements. That the Treasury is aware of this need may be seen from the offering, announced in April, of an additional $1 billion in bills for new money over a period of weeks. The refunding operations of the Treasury should be concentrated on replacing the maturing or callable long-term securities, as it may be presumed that these bonds, originally bought as long-term maturities, will be exchanged by their owners for similar or longer maturities, particularly if the coupon rate is considered satisfactory.

With regard to the effect of refunding operations on interest rates, the bulletin states: Taking into account all circumstances, it may be concluded that the rise in interest rates that has occurred during the last two years is a temporary cyclical movement brought about largely by the aftermath of the Korean war, the spending of billions of dollars on rearmament, and the expansion of defense and defense-supporting industries. In part, it reflects also the changed open market policies of the Reserve authorities. If this analysis is correct, it would indicate that adoption of a long-range refunding policy in the immediate future would not be advisable.

Referring to the Treasury's recent refunding operations and the issuance of $1,070 million of 3¼% 30-year bonds for the purpose of raising new money, the Institute's study expresses the following views:

Limited though the experience of the Treasury with the raising of new money and with refunding has been, it provides certain lessons. Briefly summarized, these are:

(1) When the Treasury competes aggressively with private borrowers by offering a higher rate of return on new issues this leads to a general increase in long-term rates but it does not necessarily make Treasury obligations more attractive to ultimate investors. In order to be successful the Treasury would have to follow the market upward and pay increasingly higher rates of interest on its medium- and long-term obligations.

(2) Such a policy leads to a decline in prices of outstanding long-term government obligations and to considerable depreciation in the portfolios of institutional investors. This in turn further impairs the stability and marketability of government obligations, rendering them less attractive to these investors.

(3) Under such circumstances even a minor spread between government and high-grade corporate obligations of approximately the same maturity may induce institutional investors to favor the latter.

(4) So long as the Treasury is confronted with the task of raising new money to meet current deficits and the Reserve authorities follow a policy of credit restraint, it will not be possible to carry out successfully any large-scale funding operations. For the time being, therefore, the Treasury may be forced to adopt a policy of offering short-term government obligations, which are in considerable demand by corporations.

(5) Finally, so long as the present tight money and capital market conditions exist, it is questionable whether it is advisable for the Treasury to follow the market by offering higher rates and thus disrupt the entire high-grade bond market, as well as increasing the debt burden, for the sake of raising a relatively small amount of new money.

Railroad Securities

New York, Chicago & St. Louis

At long last, stockholders of New York, Chicago & St. Louis (Nickel Plate) are to be rewarded for their patience. Ever since the middle of last year the financial community has been expecting each quarter that the dividend policies would be liberalized. These hopes were given a sharp boost a couple of months ago when the company sold $10 million of term bonds, part of the proceeds of which were utilized for payment of the balance of the short-term bank loans. It was considered that with this cash requirement disposed of and the working capital position bolstered the company would be in a position to pass along to stockholders a larger share of the good earnings. At their meeting last week the directors did not vote to increase the cash dividend (it was left at $0.50 quarterly) but they did decide to pay a stock dividend of 10%. The distribution is, of course, subject to approval by the Interstate Commerce Commission but no difficulty is expected on this score. It was announced that application would be made promptly for Commission authority to make the payment.

At the annual meeting of the stockholders, which took place the same day as the directors' meeting, Mr. Lynne White, President of the road, struck a more optimistic note than had been taken late last year when initial estimates of probable 1953 results were made. As quoted in the press Mr. White had this to say for the road's prospects: "When we made our 1953 estimate before the turn of the year, we anticipated a drop in business beginning with the third quarter. From recent surveys, perhaps this anticipated decline in business will not develop; in any event, it seems reasonably certain that it will not develop as early as appeared likely some months ago." He gave no direct revised estimate of possible 1953 earnings but to most railroad analysts it now appears reasonable to look for results at least modestly ahead of the $8.96 a share reported for 1952.

April results of Nickel Plate were particularly gratifying, following an opening quarter in which gross revenues just about matched the performance of a year earlier and net income was off somewhat. This earlier showing had not been particularly surprising inasmuch as the company has a fairly heavy stake in the movement of bituminous coal and that was the one commodity that had suffered severely. For April alone gross revenues were up more than 13% from the like 1952 month. Expenses were under rigid control and net income increased by nearly $700,000, reaching $1,732,000. This brought net income for the full four months to $6,071,000, equivalent to $2.88 a share. For the four months through April, 1952, per share earnings on the common stock amounted to $2.68.

In his talk to stockholders at the annual meeting Mr. White stated that the management expected that May and June also would be somewhat better than last year. Considering that the steel strike was still going on during most of July last year it seems reasonable to expect that at least the opening month of the second half of 1953 will also show significant improvement. From the longer-term point of view, analysts and close followers of the situation see considerable promise in the fact that the company is going in for dieselization of the road freight service even though the pace at which this new power is being acquired is modest. It was announced last week that directors had approved purchase of 27 additional units for use on the Peoria division and several other sections of the line. It is generally conceded that Nickel Plate, because of the nature of much of its operations and the lack of serious grade problems, will not make as substantial savings as many other roads from dieselization. Nevertheless, such operations should improve the efficiency performance, and thus the earnings potential, in significant degree.

Max Jacquin, Jr., Pres. Of Stanwood Oil

Announcement has been made by the Stanwood Oil Corp. of the election of a new President as well as the appointment of a new board of directors.

Max Jacquin, Jr., member of the New York Stock Exchange and partner of the member firm of Jacquin Stanley & Co., has been elected President.

Max Jacquin, Jr.

The new board of directors consists of the following: David Reger, Morgantown, W. Va.; O. K. Tackle, Danbury, Conn.; Charles S. Greene, New York City; Clifford R. J. Smith, Toronto, Canada; and Mr. Jacquin.

The immediate objectives of the new management will be the reorganization of the finances of the company and the exploitation toward maximum utilization of its oil properties in northwestern Pennsylvania.

Two With H. A. Riecke

PHILADELPHIA, Pa. — H. A. Riecke & Co., Inc., members of the Philadelphia-Baltimore Stock Exchange, announce the association with them of Ernest M. Detrick as Manager of their new office in Wilkes-Barre, Pa., and John D. McGirk as a registered representative in their Clearfield, Pa., office.

Hemphill Noyes Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frank E. Gillette has joined the staff of Hemphill, Noyes & Co., 510 West Sixth Street. He was previously with Dempsey-Tegeler & Co. and G. Brashears & Co.

Rose O'Neill Pres. Of Soroptimists

Rose O'Neill, registered representative in the Fifth Avenue office of Paine, Webber, Jackson & Curtis, has been elected President of the Soroptimist Club of New York, it has been announced.

Rose O'Neill

Miss O'Neill, who will serve as President for the next two years, is the first New York Stock Exchange registered representative to hold the office of President of the professional women's service club. The Soroptomist Club of New York is a member of the Soroptimists International. Membership in the Soroptimists is by invitation and only one representative of each professional field is eligible at any given time. The New York club meets twice a month and is a sponsor of Girl's Town on Welfare Island; Second Horizons, which is devoted to caring for elderly women, and the New York Women's Infirmary.

Ludwigsen to Enter Lutheran Ministry

Clarence William Ludwigsen, of Beechhurst, L. I., N. Y., Manager of the Investment Advisory Department of Granger & Co., 111 Broadway, New York City, and who is also a Registered Representative of the New York Stock Exchange and member of the New York Society of Security Analysts, has severed all his business connections to enter into the ministry of the Lutheran Church-Missouri Synod.

Besides his busy business life, Mr. Ludwigsen from his early youth, has always found time to do church work. During the past five years, he has been acting Pastor of the Good Samaritan Lutheran Church at the City Home on Welfare Island and has also served other churches on Long Island.

Mr. Ludwigsen will be assisting Pastor Herbert Dick of the St. John Evangelical Lutheran Church of College Point while preparing for his ordination.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The one-year certificate with the 2⅝% rate, which was used to refund the June maturities, seems to have had quite an effect upon the government market. The initial influence was a dropping of quotations, but since no important amount of securities came in for sales, quotations were moved back up only to settle down again to new lows on practically no activity. The additional offering of Treasury bills appears to be well taken, because more funds are moving into the near-term sector, not only because of marketability and stability purposes, but also because of the high yield that is available in these securities. The cash payment of $898 million in the June refunding was not unexpected because of the tight money conditions. However, the $800 million of tax anticipation bills due Sept. 18 to take care of the heavy drain on the Treasury's cash incident to the latest refunding was something of a surprise. A sizable demand has been reported for 107-day tax bills.

Opinions still appear to be pretty much as they have been as far as the government market is concerned, with no important change in the restricted policy looked for in the immediate future. However, a period of some stabilization with minor price fluctuations, would not be unlikely, according to some followers of the money market.

Long Bonds at Low Point?

There appears to be less of a desire at the moment to liquidate the longer-term Treasury obligations from some quarters, because the opinion seems to be strong that prices of these securities are close to, if not already at, levels that do not warrant further sale of these issues. While conceding that some additional firming of interest rates could take place, students of the money market are not looking for any really great changes from here on. Therefore, they do not consider it advisable to dispose of bonds which could turn about in price after an adjustment which could be of only minor importance.

While no attempt is being made by this group to pick a specific price level to which prices might go in case there should be a further upping of interest rates, they seem to have rather definite ranges in mind, that they look upon as the area in which buying should be forthcoming. For the first time in a long period, it seems as though certain prospective buyers are getting some fairly definite ideas as to the areas in which acquisitions might be made in the outstanding marketable long-term Treasury issues.

On the other hand, there are those who do not believe that prices of Treasury obligations have entered an area of stabilization yet, and it will be some time, according to them, before this will be the case, because they are looking for higher levels of interest rates. While they believe it is possible for quotations to move in a narrow range for a while, they are looking for continued pressure on the money markets with no let-up in the restrictive policies of the monetary authorities. They hold to the opinion that future refundings and new money raising operations of the Treasury will bring with them higher long-term interest rates.

A 3½% bond is expected by this group in the latter part of 1953, which may or may not be the peak of the Treasury's effort to combat the forces of inflation. Higher short-term rates are also looked for by these followers of the money markets, believing that pressure has to be put on all sectors of the market in order to carry out what the powers that be are attempting to bring about.

Higher Short Rates Expected

Despite the 2⅝% rate for the one-year obligation, which was used in the June operation, there seems to be considerable opinion around that the certificate rate will hit higher levels in the fall refunding. They point out that the demand for loans will be stronger at that time and the Treasury will have to compete with this need for money. Accordingly, this will mean higher rates for the near-term part of the operation which will most certainly have a one-year maturity in it. If there should be an attempt to extend the maturity, then a longer-term bond would have to have a higher rate than 3¼% in order to attract any important amount of the maturing issues, according to those that are looking for higher rates in future Treasury operations.

Corporate Bond Market Stable

The new issue corporate bond sector of the money market seems to be showing some signs of stabilization, although it may be a bit premature yet to indicate this may be the case for sure. Rates on some of the recently floated issues have reached levels where they are attractive to buyers, and even though there has been some hesitation before certain of these securities have been cleaned out, they have nevertheless eventually gone rather well. The spread between the highest-grade corporate issues which have come into the market and the new Treasury 3¼% obligation has about reached the 50-basis points yield which has been considered about the desirable differential by many bond buyers. It is believed this spread will not narrow much as long as the money markets are under pressure.

Merit Co. Formed

PHILLIPSBURG, N. J. — The Merit Company has been formed with offices at 90 South Main Street to engage in the securities business. Thomas Lynch is a principal of the firm.

Marsh Planning & Inv.

WASHINGTON, D. C. — Marsh Planning & Investment Company has been formed with offices at 1832 M Street, N. W., to engage in a securities business. Willard Van Valkenburgh is a principal of the firm.

Wells & Stanton Branch

LUBBOCK, Tex. — Wells & Stanton of New Orleans have opened a branch office at 1517 Texas Avenue under the direction of Fred L. Parham.

Three With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — George F. Drain, Pauline J. LaDu, and Helen R. Payne have joined the staff of Slayton & Co., Inc., 408 Olive Street.

Magnavox President Says No Color TV For at Least Two Years; Sees Cost $1,000

CHICAGO, May 25—"The American public has a right to know that color television sets for home use are at least two years away—and that these receivers probably will be priced over $1,000 when they reach the market."

Frank Freimann

That statement was made here today by Frank Freimann, President of The Magnavox Company, a leading manufacturer of television and radio-phonograph sets.

Pointing out that "no one who has the technical organization and facilities will be deprived of making color receivers under an existing patent pool," he listed these points as "essential to a clear understanding of where color TV stands today:

"(1) Commercial TV receivers are at least two years away.

"(2) Color receivers will be an extreme luxury for a long time to come with prices at least three times as high as present-day black and white sets.

"(3) Color pictures on these receivers will be about 12 inches in size.

"(4) Color broadcasts will be infrequent for a long time because the cost will be greater and the audience small.

"(5) The present-day receivers will continue to be the standard sets for many years to come and will not be made obsolete or depreciated in value in the foreseeable future. They will receive all broadcasts, including colorcasts, in black and white—as they do now."

Pointing out that "Color TV is many times more complicated than the present day sets," he said, "invention, development and engineering . . . cannot be legislated into being by either wishful thinking or government edict.

"The progress on color television has been slow because of the complexities of the problem. It is too unrealistic to expect sudden production miracles because laboratory models have been demonstrated."

Mr. Freimann, whose firm invented the loudspeaker and is a leading manufacturer of electronics devices for the Armed Forces, said "hundreds of engineers, including our own, have been working on color for several years. The industry is still testing experimental color television receivers to develop a standard for transmitters and receivers that will be dependable.

"At the conclusion of these tests, the Federal Communications Commission will be petitioned to approve these standards as the legal, duly authorized color broadcasting system."

$122,515,000 New Housing Bonds Marketed

Obligations being placed by nationwide investment banking group headed by Phelps, Fenn & Co., Lehman Brothers and Blyth & Co., Inc.

A nationwide investment banking group of approximately 200 members headed by Phelps, Fenn & Co., Lehman Brothers and Blyth & Co., Inc. was the high bidder on May 26 for all of the $122,515,000 New Housing Authority Bonds, due serially 1954-1983, sold by 46 local housing agencies located in 19 states and in the Capital of Puerto Rico. The following firms also are managers of the group: Shields & Company; The First Boston Corporation; Goldman, Sachs & Co.; Harriman Ripley & Co. Incorporated; Smith, Barney & Co.; and R. W. Pressprich & Co.

The group specified coupon rates of 2¾%, 2⅞% and 3% for the bonds.

The bonds are being reoffered to the public in four separate yield groups—scales A, B, C, D—at prices to yield from 1.40% to 3%, according to maturity.

Scale A, ranging in yields from 1.40% to 2.85%, applies to housing agencies in Greenwich, Norwalk and Waterbury, Conn.; Binghamton and Plattsburgh, N. Y.; Easton, Lycoming County and Montgomery County, Pa.

Scale B, ranging in yields from 1.40% to 2.90%, covers bonds of the following housing agencies: Denver, Colo.; Rock Island, Ill.; Lawrence, Lowell, Malden and Medford, Mass., and Dover, N. H.

Scale C, ranging in yields from 1.45% to 3%, relates to bonds of the following housing agencies: Monterey County, Cal.; Pueblo, Colo.; Tampa, Fla.; Savannah, Ga.; Gary, Ind.; Covington, Hopkinsville, Owensboro and Richmond, Ky.; Cumberland, Md.; Providence and Woonsocket, R.I.; Chattanooga, Tenn.; Fort Worth, San Antonio and Waco, Texas; and Bristol, Va.

Scale D, ranging in yields from 1.50% to 3%, covers bonds of housing agencies located in Anniston, Decatur, Opelika and Sylacauga, Ala.; Carrollton, Moultrie, Thomasville and Valdosta, Ga.; Capital of Puerto Rico; Gaffney, S. C.; Lebanon, Tenn.; Brownsville, McAllen and Paris, Texas.

Interest on the bonds is exempt, in the opinion of counsel, from all Federal income taxes.

The bonds of each issue are callable 10 years from their dates at 104% and accrued interest and thereafter at decreasing call prices.

Each of the issues will be secured by a first pledge of annual contributions unconditionally payable under an Annual Contributions Contract between the Public Housing Administration (PHA) and the Local Public Agency issuing the bonds. The contributions, together with other funds of the Local Public Agency available for such purpose, will be sufficient to pay principal and interest on the bonds. The faith of the United States is solemnly pledged by the United States Housing Act of 1937, as amended, to the payment of such annual contributions by the Public Housing Administration, according to an opinion of Attorney General Herbert Brownell Jr., to President Eisenhower. Attorney General Brownell stated in the opinion that he is of the view that a contract to pay annual contributions entered into by the PHA in conformance with the provisions of the United States Housing Act of 1937, as amended, "is valid and binding upon the United States, and that the faith of the United States has been solemnly pledged to the payment of such contributions in the same terms its faith has been pledged to the payment of its interest-bearing obligations."

Charles R. Morgan Opens

KNOXVILLE, Tenn. — Charles R. Morgan has opened offices in the Mercantile Building to engage in a securities business.

Comparative Stock Exchange Trading Records

For the first time in history, the Toronto Stock Exchange in 1952 led all North American exchanges in volume of share trading, transactions involving 599,954,211 shares, an increase of 48,000,000 shares, or nearly 7% over 1951. In all previous years the New York Stock Exchange headed the list. In point of dollar values the standing was third, being exceeded only by the New York Stock Exchange and the American Stock Exchange, thus maintaining the dollar value position held each year since 1942.

Trading records for 1952 of stock exchange on the North American continent showing the dollar values and number of shares (including rights and warrants) are tabulated below. Figures covering United States exchanges are taken from the Statistical Bulletin of the Securities and Exchange Commission, while the figures from Canadian exchanges are from their official records.

STOCK EXCHANGE TRADING — 1952

	Stock Exchange	Values	*Shares
1.	New York Stock Exchange	$14,761,931,376	521,562,723
2.	American Stock Exchange	1,285,366,861	117,803,883
3.	Toronto Stock Exchange	1,109,716,542	599,954,211
4.	Montreal Stock Exchange and Canadian Stock Exchange	593,572,963	95,859,192
5.	Mid-West Stock Exchange	463,812,142	17,781,765
6.	San Francisco Stock Exchange	201,829,339	18,321,494
7.	Boston Stock Exchange	193,777,539	5,321,492
8.	Los Angeles Stock Exchange	181,096,434	9,888,782
9.	Phila.-Balt. Stock Exchange	166,310,137	5,979,874
10.	Detroit Stock Exchange	75,024,952	4,002,403
11.	Calgary Stock Exchange	52,114,522	107,964,051
12.	Vancouver Stock Exchange	40,206,591	36,219,714
13.	Pittsburgh Stock Exchange	25,824,745	1,147,945
14.	Cincinnati Stock Exchange	21,435,802	632,299
15.	Washington Stock Exchange	5,275,011	244,460
16.	Salt Lake Stock Exchange	2,762,346	21,884,685
17.	New Orleans Stock Exchange	1,779,588	54,026
18.	Winnipeg Stock Exchange	1,127,365	831,208
19.	Spokane Stock Exchange	964,068	1,776,842
20.	Richmond Stock Exchange	559,405	11,278
21.	Wheeling Stock Exchange	488,731	16,466
22.	San Francisco Mining Exchange	452,263	5,119,416
23.	Colorado Stock Exchange	72,664	130,931

* Including rights and warrants.

Continued from first page

National Security, Stability, And Economic Solvency

in real terms (i.e., correcting for price changes), (4) private consumption in real terms, (5) private capital formation in real terms, and finally (6) the ratio of public debt to national income. What could be expected with respect to each of these items by 1953?

It would be extremely interesting to know how economists would have answered these questions. It is, however, not difficult to imagine that there might well have been a large measure of agreement on highly pessimistic conclusions. Is there any likely probability that they would have arrived at figures even approximately as favorable as events have in fact turned out?

The Record Since 1948

Here are the factual answers. This is what actually has happened.

(1) Prices. Wholesale prices rose 5.4% from 1948 to May 1953, or 1.2% per annum on the average; consumer prices rose 10.3%, or 2.3% per annum.

(2) Federal Reserve index of production rose 26%, or about 5½% per annum.

(3) GNP (in real terms) rose 23%, or around 5% per annum.

(4) Private consumption (in real terms) rose 12%, or about 2½% per annum.

(5) Private capital formation (in real terms) rose 11%, or around 2¼% per annum.

(6) In 1948, the public debt was very nearly equal to the Gross National Product (98%). By 1953, the debt had fallen to 75% of the GNP. Now it is, of course, true that debt tends to fall in relation to income if prices are rising. Let us therefore consider the GNP in real terms. In terms of constant value dollars (1952 prices) the ratio of debt to GNP declined from 88% in 1948 to 75% in 1953. However you look at it, whether in money terms or in real terms, the burden of the debt is materially less than it was in 1948 despite the large increase in military expenditures.

Illusions die hard. We are told again and again that we have been living in a period of pronounced inflation during the last five years. This is just not correct. There was indeed a spurt in prices for nine months immediately following the Korean crisis (the panic buying episode) but the reaction came quickly. Wholesale prices have been falling now for more than two years. A truer picture can be obtained by taking a look at the whole period from 1948 to the present. In this period, industrial production, as we have seen, increased by over 25%, and the GNP in real terms by nearly the same figure. In the meantime wholesale and consumer prices increased by just over 5 and 10% respectively.

Price Increases Moderate

Are such increases in output possible without **some** price increases? History throws light on this question. The statistical records show (what is only common sense and what every businessman knows from practical experience) that marked increases in output are usually associated with somewhat comparable price increases. Have the price increases since 1948 been abnormally large in relation to output increases? They have not. Fred Mills ("Price-Quantity Interactions in Business Cycles") shows for eighty years, from 1858 to 1938, for every 1.0% increase in output, prices increased 0.8%. But since 1948 for every 1.0% increase in output, wholesale prices have increased only 0.2%, and consumer prices only 0.4%. The fact is that price increases in relation to output increases have been extraordinarily small since 1948, judged against the background of nearly a century of experience with the free price system.

Some price increases are necessary when output is rapidly expanding. Had we prevented all price increases we should have had less output. The price increases have in fact been moderate, as comparison with past history shows. The economy has taken the increased defense program in its stride. Private consumption (in real terms) and private capital formation have not been sharply cut back. Instead they have shown a healthy growth. The burden of the debt has declined. The economy is strong; and it is securely solvent. A reduction of the defense program can therefore not be justified on economic grounds. This is a politicial issue, not an economic issue.

But political facts are just as real as economic facts. The political issue deserves the candid and careful consideration of the American people. But for my purposes here I shall stick to the economic issues. I shall assume that the political forces dictate reductions in military defense and foreign aid outlays as outlined by President Eisenhower. If this be accepted as a datum, what can one say about economic policies appropriate to this political decision?

Beware of Present Plateau

The first thing that we need to note is that **the rising output and income curves are flattening out.** Anyone can prove this for himself by plotting the figures on a chart. We are reaching a new high plateau. Now business-cycle history teaches us that plateaus are precarious. An upward movement is self-reinforcing. But a plateau is not. Running on a plateau we do not need to **add** to inventory stocks, and we do not need to expand plant and equipment as rapidly as in a rising market. A plateau has a way of turning into a decline. It does not always do so because counteracting factors may hold the economy steady for a considerable period. That has happened before, and it may happen again. Nevertheless we need to be wary of a plateau.

Present Tax Policy Sound

Under these circumstances I believe the Eisenhower tax proposals are sound and should be supported by the members of Congress from both sides of the aisle. For the time being (that is, for the rest of 1953) a policy of "wait and see" is wise. We should keep taxes where they are through the rest of this year. But in view of the projected reductions in defense outlays, and in view of the plateau which is already in sight, the proposed tax reductions beginning in January, 1954—the individual income taxes, the postponement of payroll tax increases, and the abolition of the excess profits tax, all scheduled for January, 1954—are I believe sound policy. It is sound, however, only on the assumption that the economic atmospheric pressures point slightly more toward deflation than toward inflation. This I believe to be the case, and I therefore welcome the Eisenhower tax proposals.

Parenthetically, it may be added that it would be inconsistent in view of the projected tax reductions beginning June 1, 1954, to repeat another episode such as the recent 3¼% bond issue. An increase in interest rates may have little effect in checking a strong boom riding high on favorable expectations; but once the boom begins to flatten out, a jump in the rate of interest may signal the turning of the tide.

Townsend, Dabney Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Joseph F. Lockett, Jr. is now connected with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges. He was previously with Burgess & Leith.

Securities Salesman's Corner

By JOHN DUTTON

Sometimes when I sit down at the typewriter to set up another week's column I come back to the same old problem — what can we tell them this week? You always have to come up with something new when you are selling securities, too. It is almost the same thing as writing a column. If you want to keep your own interest alive you've got to be resourceful. That's one of the nice things about the securities business—as well as one of its problems. This business won't let you stagnate. If you do you won't be in it very long. That's a fact.

When Sales Slump

There are times when the going gets a bit difficult. Sales organizations are like baseball teams. They go into winning streaks and hitting slumps. They have morale problems and personal problems and there are times when the going just gets rough. Markets and investor confidence have much to do with the way business booms or slumps. Sometimes there is little you can do about these periods except to wade through them and wait them out.

But there is one thing you don't do if you are in the selling business when these quiet periods come along. You don't fold up—or go back to the same old way of doing things—or go to the ball game. You don't do these things unless you want to encourage more dull business and more slumps in sales and morale.

That is the time to try a new approach. That is the time to work out a new advertising campaign, or find a new type of security or a special situation. Then go to work.

Ideas Are Dollars in the Bank

The human mind is so susceptible to the power of suggestion that it is almost impossible to escape profitable motivations that come from sources that are soundly conceived and inspired in the intensity of conviction. Haven't you often seen the change that comes over a room full of salesmen when out of the clear blue sky some one comes up with a good idea or suggestion. I've watched the atmosphere change almost instantaneously from one of indifference to almost feverish activity, when an announcement has been released that a particularly attractive new offering of securities has been made that appears to have a very intense public acceptance. There is no greater stimulant to sales than the hope of a profit. Profit for the selling organization and the customer as well — in this case enthusiasm generates enthusiasm and the net result is an avalanche of business.

Many years ago a good friend of mine turned adversity into a successful sale just by the sheer magic of his ingenuity and his sense of timing and salesmanship. He had a very good client who had made several substantial purchases of securities from him at prices that were far above the present market. He had heard that this client had actually become so sore about it that he didn't want him to come into his office again. One rainy Saturday morning he sent out to the wig maker and obtained a false set of whiskers and a shaggy gray wig and he disguised himself like an elderly beggar. Taking a walking stick in his hand and putting his wig and whiskers under his raincoat he headed for his ex-customer's office. The disguise was so effective he was ushered into the client's office on the pretense that he was an old friend of his father. The client looked closely at him and said, "I don't think I know you, what did you say was your name?" My friend replied, meanwhile taking off the hat, wig and whiskers, "I am that blankety-blank so-and-so that sold you Radio at 111."

I am not recommending this technique to anyone except a natural born actor such as this man, who had the personality and the ability to get away with it. In this instance he actually walked out of that office with an order for $50,000 worth of railroad bonds and the renewed good-will of this man who couldn't help but go along with a fellow who had the ability to get away with such an approach. This was stunt selling—but it was different. The point is that resourceful salesmen who don't quite come up with new ideas—new ways of doing things, and that is why they are at the top of their profession. There is always business waiting for any one who can sit down with himself, analyze his problems and then use his head so that he can get out and get it. And you don't have to wear false whiskers either to do it.

Maurice Moes to Join Merrill Lynch Staff

Maurice N. Moes

Maurice Moes, now associated with Erdman & Co., New York City, will become associated with the 38th Street office of Merrill Lynch, Pierce, Fenner & Beane, members of the New York Stock Exchange, as of June 1.

New York Analysts to Hold Outing June 12

The New York Society of Security Analysts will hold their first spring festival at the Sleepy Hollow Country Club, Scarborough-on-Hudson, New York, on June 12th. Tickets are $12.50 and reservations should be mailed to Sturgis Macomber c/o Reynolds & Co., 120 Broadway, New York City, by June 8th (price of tickets thereafter is $14.00).

Scheduled for the day are golf (greens fees $4.00); a kicker's tournament will be held, entrance free $1.00. Fee for tennis courts is $2.00, and for the pool $1.80. Horseback riding is also available at $2.50 per hour. A softball game is also planned prizes for which will be awarded at dinner for winning teams.

Money Rates in U. S. and Britain

By PAUL EINZIG

In commenting on Britain's interest in the U. S. hard-money policy, Dr. Einzig points out undue rise in American money rates are liable to cause much inconvenience in Great Britain, since repatriation of American funds from London may lead to further weakness of sterling. Says Britishers fear high interest for loans in U. S. will impede lowering of their own interest rates and thus delay sterling convertibility. Points out fear of a U. S. "peace slump."

LONDON, Eng.—The hardening of the trend of money rates in the United States is causing some concern in London. Although this trend has been proceeding for some time it is only quite recently that attention was drawn to it on this side of the Atlantic by the firmer tendency of the dollar. The weakness of both Sterling and the Canadian dollar in terms of U. S. dollars is generally attributed to the repatriation of American funds. This again is regarded as a consequence of the higher rates obtainable in New York. The actual extent of the change has been moderate so far. But a recent remark of the Secretary of the United States Treasury that interest rates had been artificially manipulated during the past 20 years and that what is needed now is "courageous, determined corrective action" conveyed the impression that the United States has definitely embarked on a "hard money" policy, and that the recent moderate rise in American money rates is merely a foretaste of things to come.

Dr. Paul Einzig

It is, of course, realized in Britain that the United States could not afford to go too far in that direction without risking a slump. It is assumed that the new policy merely aims at reversing the recent expansion of credit, without wanting to produce actual deflation beyond that. What is feared is that the movement might go further than is intended, and that the United States might drift into a deflationary spiral which could not easily and quickly be reversed. Such developments would spell disaster for the free world.

But even if such fears were to prove unduly pessimistic, the firmer tone of American money rates is liable to cause much inconvenience to Britain. The weakening of sterling caused by the repatriation of American funds from London may become accentuated. Although at the time of writing sterling is still at a slight premium over the dollar, this is liable to disappear if money rates in the United States should continue to rise. The inflow of gold which has been proceeding uninterruptedly on a small scale for over a year would then come to an end and might even become reversed.

One of the disadvantages of the firmer tone of American money rates from a British point of view is that it reduces the chances of a lowering of British interest rates. The rise in interest rates resulting from the increase of the bank rate to 4% last year, though salutary from the point of view of the Government's disinflationary efforts, is costing a great deal to the Treasury and also to private interests. There has been much talk lately about the possibility of lowering the bank rate, and money rates have been somewhat easier. It is to the interest of the Government that this tendency should continue, if only in order to facilitate the sale into private ownership of the denationalized iron and steel industry. It would be much easier to find buyers for the steel stocks at satisfactory prices if a lowering of money rates were to produce a rising trend on the Stock Exchange.

In any case there has been a certain amount of criticism of Mr. Butler's policy of trying to stimulate business with the aid of tax concessions instead of trying to achieve the same end through lower interest rates. It is argued that while the tax concessions tend to increase the budgetary deficit by reducing revenue, a lowering of interest rates would reduce the budgetary deficit by reducing expenditure. Now that the immediate danger of a crisis through the exhaustion of the gold reserve has passed the Government is pressed to relieve industry and agriculture of the burden of high interest rates. That burden was accepted as a necessary part of the defense of sterling. With the improvement of the balance of payments position the Government is now widely expected to mitigate the burden through a gradual lowering of the bank rate.

It is feared, however, that should the firmer trend of money rates in the United States continue it would become more difficult if not impossible to lower British money rates. Even as it is sterling tends to be weaker as a result of higher money rates in New York. This tendency would become accentuated if simultaneously with the rise in money rates in the United States there should be a noteworthy decline in British money rates.

All this is, however, a matter of small importance compared with the ever-present fears of a peace-slump in the United States. Reassuring statements which have been made recently in the United States do not altogether carry conviction on this side in view of the evidence of a hard money policy. It is feared that this policy would create an undertone which might render American economy eminently susceptible to the effects of an improvement of international political relations. The desire of the United States authorities to pursue a disinflationary policy is fully understood. What gives cause for concern is the absence of any borderline between disinflation and deflation. It is felt that, should the conclusion of peace in Korea and more far-reaching international agreements take place at a moment when higher money rates and tighter money tends to depress business in any case, the psychological effect of the political factor might well prove to be spectacular.

Needless to say, it is realized that the United States Government is fully aware of the gravity of the risks involved and that it is likely to proceed, therefore, with its hard money policy with the utmost caution. Nevertheless, those in Britain who follow closely economic developments in the United States cannot help feeling anxious about the possibility of some error of judgment which might well prove to be fatal for the United States and for Britain and the other democratic countries.

One thing is certain, the adoption of a policy of higher money rates in the United States further removes the chances of a restoration of the convertibility of sterling. It will make it even more difficult for Britain to accumulate an adequate gold reserve. It will also provide a forceful reminder of the disadvantages of financial interdependence which would increase if sterling is made convertible.

Halsey, Stuart Group Offer Utility Bonds

Offering of $10,000,000 Potomac Electric Power Co. first mortgage bonds, 3⅞% series due June 1, 1988, at 102% and accrued interest, was made yesterday (May 27) by a group headed by Halsey, Stuart & Co. Inc. Award of the issue was won by the group at competitive sale on Monday on a bid of 101.4011%.

Of the net proceeds from the sale of the bonds, and from the sale of 852,840 shares of common stock, $9,000,000 will be applied toward the payment on or before June 30, 1953, of outstanding 3⅛% bank loan notes incurred in connection with the company's construction program for 1952 and 1953; $6,000,000 for the payment of the company's outstanding 3⅜% bank loan notes payable on or before March 19, 1954; and the balance, together with other company funds, will be used to meet construction costs during 1953.

The bonds will be redeemable, at the option of the company, at prices ranging from 105% to par, plus accrued interest.

Potomac Electric Power Co. is engaged principally in the generation of electric energy in the District of Columbia and nearby Virginia and in the distribution and sale of electricity in the District of Columbia, in limited urban areas in Virginia and Maryland and in areas in Maryland suburban to the District of Columbia. The service area of the company consists of approximately 640 square miles, with an estimated population of 1,300,000 on Dec. 31, 1952.

Total operating revenues of the company for 1952 aggregated $47,901,401; gross income was $9,086,769, and net income was $6,165,942.

Summer Course on Market Operations

The University of Vermont and State Agricultural College will conduct the 1953 summer course on the Economics of Capital Formation in New York City, June 22nd through July 30th. The six weeks' course on securities markets operations and analysis will be lead by Philipp H. Lohman, Converse Professor and Chairman of the Department of Commerce and Economics of the University. Classes will be conducted in Room 735 of the Chase National Bank of the City of New York.

Lectures by leaders in the New York investment field are scheduled, as well as talks by officers of the New York and American Stock Exchanges, and both over-the-counter and listed markets will be studied.

Seymour Wagner Opens

Seymour Wagner is conducting an investment business from offices at 20 Stuyvesant Oval, New York City.

Walter M. Harris Opens

SALT LAKE CITY, Utah—Walter M. Harris is conducting an investment business from offices in the First Security Bank Building.

3 With Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles W. Cottle, Jack Gersten and Joe M. Hassler have become connected with Samuel B. Franklin & Company, 215 West Seventh Street.

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Dollar Literacy—the American "Must"

masses, they seem never to have been able to identify the enemy that comes to destroy their political, economic, and social liberty.

Import and Significance of Sound Money

I know that most of the young people in this generation coming out of the halls of learning into the world, have not been given the vitally important education necessary to understand the import and significance of sound money. Shame on those schools and colleges who have failed America in this vitally important, patriotic responsibility! I have interviewed many graduates — boys and girls—and most of them have admitted that they have had meagre education having to do with the importance of sound money, one of the principal pillars of a representative Republic.

The dictators who controlled the destiny of Europe were not self-elected. They were invited. They came into power because of the breakdown of solvent government. They were receivers for nations gone bankrupt. Possessed of a superior power of persuasion, coupled with native political sagacity and a burning passion for power, these men recognized that their day had arrived. They witnessed the helplessness of those in power. They saw before them the beckoning, vacated seats of power made so by the breakdown of solvent government. Coming out of comparative obscurity, after a debased money system had exacted its tragic toll, these dictators on horseback captured the imagination of the people and rode to power amid the applause of the unsuspecting and apathetic masses. That is how it happened "over there."

Greatest Tragedy Is "Creeping Inflation"

Loss of confidence in its money, which, in the final analysis is creeping inflation, is the greatest tragedy that can happen to any civilized state.

We say it cannot happen here. Rather, let us say, it must not happen here! Then let us proceed to make that declaration a living reality by us bankers assisting the present Administration in their terrific task to restore sound money and recapture the control of Federal spending at the earliest possible moment, which will be the only guarantee against that demon that counts civilization after civilization among its victims.

It can be safely be maintained that no other country on earth could have so ruthlessly violated sound principles of economics as we have without suffering complete and absolute wreckage. Thanks to our endless and apparently inexhaustible resources, we have been able, up to date, to fight devastating wars and remain solvent. The best proof that the American pattern of government is sound, is that it has been able to stand up for the past several years, under the greatest orgy of spending that any government in any period has ever attempted in the history of civilization.

As much as our present indebtedness alarms us, it is our apprehension of the trend that overwhelms us, with another several billions of dollars deficit this fiscal year in prospect.

We are not unmindful of those stalwart, patriotic Americans—Democrats and Republicans—in the present Congress of the United States, who are at this very moment fighting against insurmountable barriers to restore sound money. First, foremost, fearless, able, consistent, and with never a faltering pause for political expedience in the battle to maintain and perpetuate dollar sanity, has been Senator Harry S. Byrd of Virginia. The 100,000,000 depositors in American banks should thank the Lord for that great Democrat. Their efforts seem, at the moment, to be meeting some success. I hope and pray they will succeed. They know, and we bankers know, that public spending, once out of control, is most difficult and painful to recapture.

How then may the masses, our fellow citizens, be won over and stimulated into action, so that they, the victims of such a program, will act in the interest of their own security and their own personal liberty? How can it be done? Who should be more willing than we to undertake the task? Who should possess more courage, or more determination, or more power of discernment to seize this opportunity, ere it be too late?

John Rustgard said: "If we are too weak today to handle the situation as it should be handled, we shall be weaker tomorrow and the next day still weaker. We are giving shelter to a vulture that is constantly eating out our vitals."

Can it not be shown to the man in the street, to the merchant, to the manufacturer, to the housewife, to the educator, to the churchman, to the farmer, to the vast army of honest workmen, even to those who will be subsisting upon government benevolence? Can it not be told to the labor organizations that there are no unions in bankrupt countries, nor will there ever be in any nation where the purchasing power of its money is destroyed? Can it not be shown to youth, to all people, irrespective of color, or class, that they will all be made to suffer for this crime; that they all must now unite to restore and perpetuate a sound fiscal policy and maintain our safe, constitutional balances of power?

A Damper on Savings

Men will not struggle to save money if they know that they are ultimately to be denied the fruits of their labors. Dollar-illiterate America must be alerted to the functions of money, first, as a medium of exchange, then, as a measure of value, and finally, as a storehouse of value.

In the dawn of civilization these facts were not known and there was no material progress. If these fundamental facts are forgotten, even in our day civilization, instead of advancing, will retreat.

In primitive times labor was almost exclusively of the hands. Negotiations were between one man and another with no intermediary. The American dollar is that intermediary in our country. Rewards and returns were simple and tangible. Every transaction was complete in itself. This was when barter was the method through which exchanges of services and goods were transacted. Then came what may be termed representative labor, and not until this time did any great progress occur in the world. Men began to acquire property as a result of their earnings. Property took the form of savings, representing the margin of value between earnings and living expenses. Investment of the margin was made in land or cattle or sheep at the trading post, or a cargo of saleable articles. The flocks and herds of Abraham represented the results of labor. From them he drew a competence, sustained himself, and by careful management acquired an unusual measure of this world's goods.

As men worked and struggled with the slowly yielding forces of nature, it was for the purpose, first, of storing up wealth, and then, either having their property earn for them or their savings produce an income for them as against the day when they themselves would no longer toil. The land would bring forth abundant harvests and the herds would provide milk and meat for food, and wool and hides for clothing—every product being inherently and progessively representative labor. By this process man was enabled to obtain returns both from the labor which he himself performed with his own hands and from his talent or management proceeding from his own brain. He has found these servants aiding him in his work and adding to his resources. For those of this earlier day, representative labor was deemed worthy of its hire. Eventually, money entered into the picture, as a convenient method of providing a medium of exchange, a storehouse of value, and a measure of value. Compensation for the labor of the individual assumed purely a monetary form. Likewise, money became the token of representative labor, the agency whereby return in the from of interest was produced. Primitive man in his comparative isolation fought to protect his property against usurpation. So modern man must defend the dollar, which represents the fruits of his earnings, against inflation.

The stored up monetary value, representing the returns from labor, becomes his servant. In behalf of this servant he has a right to ask that it be protected, first, as to its safety and security in substantial purchasing power; second, as to its right to be invested; and third, as to its reasonable compensation for its services. He realizes that under our modern economy money labors just as industriously and productively as does he, himself. In this he finds incentive for progress and more abundant living for him and his family. This desire for progress, sometimes referrred to as a profit motive, has actuated men from time immemorial. It will always be so. If the uses of money are to serve any good purpose they must be permitted to yield a margin of profit in the form of interest or dividend, as well as be protected in purchasing power. Nothing is more devastating to the morale of a thrifty people than to observe their investments grow idle and insecure.

In the physical world, floods and storms, winds and waves, heat and cold, constantly challenge the security of property. As for money, its safety and its opportunities for employment are determined by economic movements, by political decrees. The agencies of destruction to physical property are well identified and for the greater part understood. This is not the case with respect to the forces which affect the stored up products of labor—money.

In thinking of money as representative of stored up labor, let us consider your neighbor and mine as its possessor. It is they, individually and collectively, who hold the great material wealth of this nation, even though some folks would have us believe it is owned by our large corporations. People who see their life insurance or their savings yielding less and less become disturbed. When their principal means of support is thus seriously diminished they become distracted.

No trick of logic will ever be able to destroy that human trait. That fact is known to those in power.

The politicians know that we lack this money education; that we have grown self-centered, and group-conscious; that we are no longer historically minded. We imagine that history began with us. We are the "Little Red Riding Hoods" bringing our hard-earned substance to our dear old "Government Grandma," who turns out to be a hungry wolf that devours not only our substance, but also threatens our very lives and fortunes.

It ought to be burned into the consciousness of every citizen, through a concerted education program, that the first line of defense in a free country is a balanced budget on a sound money base.

Our national debt in this day is overwhelming, and inflation is the first cause of this huge debt. Recalling what Wendell Phillips said, "Debt is the fatal disease of all republics, the first thing and the mightiest to undermine governments and corrupt the people," we find the corruption process, as prophesied, is a long way down the tragic road to fulfillment.

Let us resolve to win the battle to save the dollar. That dollar of destiny must not become a casualty, lost through political action.

Let us dismiss any gay optimism. The time calls for action—speedy action, intelligent action, determined action. It calls for organized and educated action, while action is still possible.

Restore the Gold Standard

Most important of all is an education program to work for the reestablishment of the gold standard as promised in the Platform of the Republican Party. Gold is a gift to the world from an all-wise Creator. There is no substitute. There will not be. Without it as a base for national and international exchange, civilization, could not have emerged from its barter period of the Dark Ages. It is the only insurance against ruthless politicians debasing and corrupting the world exchanges and money systems of a free people. I repeat, it is a blessing from an all-wise Providence to prevent the tragedy that follows a debased, corrupted and politically managed medium of exchange. The gold standard is the automatic watchman on the tower of the government of free men, to guard against the poison of totalitarianism entering the blood stream of sound money.

Unless the present Administration carries out their promise to reestablish the gold standard, made without reservation, dollars as we have known them may degenerate into doughnuts.

If I read the papers rightly, there has been quite a ruckus recently in the Bureau of Standards in Washington—something about somebody's battery additive not being treated with the proper respect—at least it was so alleged.

We need standards. We need the Bureau of Standards. And we need standards beyond what the Bureau of Standards has any jurisdiction over. We are constantly and greatly concerned about what goes into an aspirin tablet, what goes into a vitamin pill, and what goes on the labels of the commodities we offer the public for purchase—and it is proper that we should be so concerned. If wool cloth has 5% of rayon in it, the label must say so—or the man who made it and the man who sells it are due for trouble.

But it is sometimes puzzling how some people can be so concerned about the content of a yard of cloth and yet seemingly so unconcerned about the content of our basic standard of monetary value—the dollar.

A man might well go to jail if he changed, in any particular, the content of a standard prescription—but we cannot well forget that some millions of Americans were once robbed of some 40% of their life's savings by a stroke of the pen. (Of course, the responsible parties served "time" for this "dastardly deed," as they say in the soap operas—some 20 years of time, as I recall—not in jail but in Washington!)

Is it inherently sound for anyone to have the right arbitrarily to take from a person a major part of his savings—or make it so that a substantial part of his life's efforts are lost? If this false principle were to prevail, people would increasingly ask, "What are we working for?"

(Suppose eternal salvation were put on such basis! Suppose a man were to do his best to keep the commandments and then when he went for his reward found that the Lord had arbitrarily changed the rules overnight!)

Without a gold standard dollar, no man can know what he is contracting for in the future. As the old story goes, he may promise to deliver or to pay six of something, but without a gold standard he does not know in advance whether he is going to have to deliver six rabbits or six horses—or six mice or six elephants. No arrangement for any future payment can have much definite meaning—and no savings in any liquid form can mean much, so long as the fiat of one man or any combination of men can, overnight, say that this dollar is now worth half or double what it was.

A promise to pay is a promise to pay. A contract is a contract. And when we enter into a contract, we enter into it in terms that are definable. We do not just say we promise to pay ten thousand. We say ten thousand dollars. But if a dollar has no fixed value we do not know what we are promising to pay any more than we know what we are contracting for, if we order a building without specifications, or a bridge without a description of its structural strength, or wine that has been ten times watered.

(I can imagine that some people would be pretty upset if they should order 100 proof whiskey and find that it was 60 proof! But we took that kind of treatment with our dollars, lying down!)

We have laws against watering stocks, laws against tampering with securities, but no effective law, it seems, to preserve the integrity of the dollar and to keep its traditional gold content at twenty-five and five-eighths grains of gold, nine-tenths fine.

A fickle and arbitrary dollar value takes the power of prediction out of business and takes the inherent integrity out of contracts, and takes away the incentive for people to save.

It is important to know that the cloth we buy is " all wool and a yard wide," and it is important to know that our dollar is all gold and of a fixed weight—no matter who happens to be in the saddle at the moment, and no matter who wants to tamper with the country's cash register.

Keep Up Battle Against "Soft Money"

In the words of F. M. Kauffman, I commend to this convention and to you who influence financial thinking with your clients and with your Congressmen, that we keep swinging at soft money, so that soft-headed men can not mismanage it, and wipe out the things that hard-working Americans have worked for.

Someone once said that currency is merely the ghost of gold. We have no quarrel with the idea—but we do not want to give up the ghost or the gold. And a ghost without gold is something that should haunt all of us!

Vagueness in money matters is something we cannot afford. We cannot afford to be at the mercy of any one man or at the mercy of the fallibility of judgment of many men; when we are dealing with contracts for the future, with the savings of widows and orphans, and of people whose productive period has passed, when we are dealing with safety and security, economic soundness and incentive, and with the future of our families we need a dollar that cannot arbitrarily be made into a doughnut.

"Dollars to Doughnuts" is not a good gamble even by the most reckless standards. Yet there are places where it has happened. It started to happen here, and it could yet happen if we do not do something about it. And I would not want to stand before this or any other group of responsible fiscal agents and financiers without putting myself on record as favoring such legal safeguards in the monetary system of this country so that no one, now or ever, in the foreseeable future, could make dollars into doughnuts. I think we should safeguard the soundness of the dollar even if it takes a Constitutional Amendment to do it—and I am not so sure but what we should have a Constitutional Amendment to cover the question of dollars redeemable in gold.

Bankers Should Have Knowledge Of Monetary Science

Being a banker, I can indulge in an analysis of bankers. It is my observation that many of us operate with money as a buck private operates with a rifle and cartridges. Both know how to use the material. The buck private knows how to shoot his rifle, but has no knowledge of the alloys that go into the rifle barrel nor of the chemistry going into the explosive. The average banker knows how to get deposits and loan dollars, but has insufficient knowledge of the economics of money; many of us, therefore, are dollar illiterates. In other words, many of us do not know the fundamental difference between an irredeemable currency, and one convertible into gold. If we do not know, we are misfit bankers. If we do know and remain silent, then we qualify to be numbered in the silent and neutral class and someone has said that the hottest places in Hades are reserved for those who remain neutral in a time of national crisis. And it may be this is also true of that segment of the new variety legal fraternity who, for personal profit, laid aside their fundamental judicial learnings. They should now join the educational crusade for reaffirmation of those principles in the Constitution envisioned by the founding fathers to establish and perpetuate a sound money foundation, without which national survival of our free way of life is just not possible.

In a representative national government, the wider the voting franchise is spread, the lower becomes the I.Q. of Mr. Average Voter. He has an outstanding ability to vote himself benefits today, and an equally astounding ability to ignore the costs tomorrow. Thus they open the portals to the demagogue and the promiser. Little remains to stem the tide of selling tomorrow down the river.

A survey recently made discloses that the aggregate of banking customers provides a tremendous field for educational purposes. Most of the depositors are voters. In one way or another a contact with these depositors has been made already. As a rough approximation, there are close to 100,000,000 bank accounts in the 18,000 banks and branches in the United States. Of course, there are many duplications of bank accounts, but the figure is still an imposing one. It can be assumed that they have confidence in us, or they would not be doing business with us. In other words, our banks have a direct contact with what constitutes the voting control in this great country—the depositors of American banks.

The diffusion of accounts is reassuring. The survey indicates that 50% of all earners have savings accounts and 40% have checking accounts. In 1941, 98% of all accounts were under $5,000. More recent figures are not available. Banking already has an entre to the so-called "little man" whose influence is sometimes misguided and proves costly to him as well as to banking.

The geographic distribution of the good-will potential is broad. About one-third of the commercial banks are in population centers of less than 1,000, more than one-half in centers of less than 25,000, and only one-quarter in cities of over 500,000.

There are over 300,000 bank officers and employees. The number of bank stockholders is roughly estimated at 3,000,000.

Dollar Illiteracy—a Tumor in the Body Politic

We must admit that dollar illiteracy is a well-developed tumor in the body politic, and if not checked, will become malignant. This tragic truism should be told to our depositors. Whose obligation is it? The answer: The American Bankers Association.

If they knew the impending tragedy, the 100,000,000 depositors comprising the great middle class of America would exert their influence to forestall future ruinous inflation.

From the reservoir of economic wisdom at the headquarters of the American Bankers Association, supplied as it is by eminent economists, there could flow down to the 49 state associations, thence to the 18,000 unit banks, and from them to their millions of depositors the educational material dealing with money economics necessary to sustain the educational program to which I have referred.

Each year for the past 20 years, our depositors have lost part of their substance to the disease of inflation. Only a fraction of the amount in my opinion so lost would be needed to promote an educational program to eliminate the disease. Every year since organized banking has been meeting in convention, strong resolutions have been formulated for the preservation of sound money. This has been true in the annual meetings of the American Bankers Association and also at the yearly meetings of all state associations. Up to the present time these resolutions have been little else other than "sounding brass and tinkling cymbals." This is the moment to formulate an educational program to carry into action the intent of these forgotten resolutions. Not to do so in the present favorable political climate would be a calamitous lack of vision. Again, "the time is far spent, there is little remaining," and now is the time to stand up and be counted.

Why should not the American Bankers Association promote such an educational program that would accomplish this great service to our country and to ourselves? To spend a little money in an all-out advertising campaign to save what is left of the 50c dollar is vital, but it is more important to insure the survival of this land of the free, keeping in mind always that this is not only the land of our fathers, but also the land of our children.

Continued from first page

As We See It

which the President has all along been known to favor and to desire.

A visitor from Mars might well suppose from all this that there has been no waste or extravagance in the management of our affairs, and that any move at all toward a return to what through the ages has been regarded as the American system of strictly limited governmental activities could but bring disaster. Now, for our part, we have no patience whatever with any such notion. We are, first of all, fully convinced, and have long been fully convinced, that waste in almost incredible degree has long characterized most of the operations of the Federal Government. We believe, moreover, that as the Federal Government has broadened the scope of its activities, waste has grown apace.

Defense No Exception

We are perfectly certain in our own mind that our defense activities are definitely no exception to this general rule. We reject with scorn the notion implied in so much that is said these days that a billion dollar reduction in defense expenditures necessarily means a proportionate reduction in defense readiness. We do not understand how anyone can for a moment suppose that inefficiency and waste are not an almost universal attribute of the defense effort. Let him who doubts inform himself by consulting any business man who has defense orders on his books. The only real question is whether proposed reductions will be effected in such a way that it is the waste, not the degree of defense readiness, that is sacrificed.

Nor have those who would defeat the Administration failed to call into play various other old political tricks of the trade. For years past it has been rather more than evident that the military men have been having a field day. Few could be found with the courage to say them nay. We had been caught flat footed in 1941; many without bothering to inquire into the why's and wherefore's have permitted themselves to be persuaded that if we were to avoid such a catastrophe again we must heed the generals and the admirals. But for one reason or another during recent months there had been a good deal said about the need to get our military establishment again under civilian control. The Eisenhower Administration, an advocate of such procedure, no sooner begins with some effectiveness, so we hope, to give effect to this reform than civilian control becomes "political control," and therefore to be thrown out of the window.

All Over

But reactions such as these are not confined to the military establishment and its special pleaders. Almost everywhere we hear about the same sort of whines. The Veterans Administration slyly lets it be known how many beds it must de-activate in its hospital system should the Eisenhower brand of economy be given effect. Of course, neither the VA nor the veterans' lobby could be expected to have much to say about the almost incredible extent to which the taxpayer is being called upon to pamper the ex-soldier and ex-sailor in innumerable ways which have no connection whatever with his service in the armed forces.

And so it goes everywhere. The truth of the matter is that thanks in large part to the New Deal and the Fair Deal there has developed in this country a perfectly enormous vested interest in waste and inefficiency. From all of the holders of participation certificates in this vested interest we now hear, and can expect to hear regularly until such time as the public makes it perfectly clear that it is definitely and permanently behind this Administration or any other political leader who has both the interest of his country sufficiently at heart and the simple courage to challenge these leeches and to put an end to their political power.

All this, obviously, has a very direct bearing upon the question of tax reduction. Let there be no mistake about that. Unless such a modest plan for reduction in expenditures as that now brought forward by the President can command wide support from the rank and file, there is simply no hope of any basis for sound tax reduction either now or in the future. It is easy enough to talk about tax reduction bringing about a reduction in receipts and thus forcing curtailment of expenditures; but if the situation by which we are faced now—with a large current and impending deficit—is not enough to bring general support for reduced expenditures, it would be folly to suppose that a larger deficit deliberately brought into being would do other than court financial disaster.

The leader has spoken plainly; it is now the turn of the rank and file.

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The Challenge to Business Enterprise

Thus defense outlays will continue for some time to come to provide the economy with a large but diminishing support.

In addition to the direct effect of Government disbursements, changes in the level of defense spending may also affect the economy indirectly through the changing anticipations regarding the volume of Government orders and the like. For example, the expectation of a large rise in defense spending, coupled with the uncertainties in the international scene, sparked a sharp inflationary burst after the outbreak of the Korean War, well before the actual amount of defense spending had increased significantly above pre-Korean levels. There is little prospect that the defense cutbacks on the scale currently contemplated will cause a correspondingly sharp deflationary movement. In contrast with the rapidity of the rise in defense outlays between 1950 and 1952, the present outlook is for the reduction to be much more moderate and to proceed at a more gradual pace.

Business Spending on Plant and Equipment — In addition to defense spending, private domestic investment may also be at or near its peak. The surveys of business spending intentions on plant and equipment show that 1953 is likely to be slightly higher even than the record year 1952. The tax amortization certificate program, under which accelerated depreciation has been granted on plant programs aggregating over $25 billion, has doubtless contributed measurably to the present record volume of business spending. Additional stimulus has been provided by high business activity, satisfactory profits, rapid increases in wage costs and the large scientific and technological progress of recent years.

While there is impressive evidence of a continuing high level of business spending on plant and equipment, it would be reasonable to assume that a deterioration in the economic outlook would lead to some reductions in such outlays. This appears all the more likely in view of the rapid expansion of capacity in many industries in recent years. Also, expenditures for equipment have apparently been running above their customary relationship to national output for several years.

Residential and Commercial Building — Residential building also is still moving at a high rate, and 1953 will probably be another big housing year, even though some of the recent optimistic forecasts for 1.2 million starts, 10% above 1952, may not be fully realized. Housing represents perhaps one field of our economy in which some backlog of demand may still be at work. Furthermore, the housing boom is supported by basic social and economic forces, such as the currently still high rate of marriages, the growing size of families, the movement toward the suburbs, and migration to new industrial areas. As a result, vacancies in the aggregate are still low, rentals generally are firm, and the sales prices of old houses are still relatively high in comparison with new and modern units.

Despite these sustaining forces, however, the housing situation has eased considerably in recent years. As we face a smaller rate of new family formation over the next few years, the continuation of residential building at present levels would build up a surplus of housing, presumably with attendant pressures upon building values and rentals. The residential building boom is not likely to collapse but some sag in the level of starts would not be unexpected.

Commercial building is currently in a rebound that reflects to some degree the restrictions placed upon this type of building by the shortages of materials in the earlier years of the Korean war. New industrial plants and the movement of population toward the suburbs pose the need for additional business facilities of a great many kinds. Here again, a high level of activity may continue for some time but a gradual decline is to be anticipated.

Public Works — The upward trend in building and construction by Federal, state and local government is likely to persist for some years to come. Our highways, schools and other public facilities are already less than adequate to meet our present needs, and these needs will increase in the future. In appraising the importance of these activities in our $365 billion economy, however, it should be kept in mind that public construction today accounts for not much more than $10 billion a year, and is increasing by not much more than $1 billion a year. In an economic downturn, resort would probably be had to public works as a contracyclical instrument of public policy, but results are not likely to be immediate; real delays would be encountered in expanding these activities on short notice in view of the time required to draw plans, obtain the authorization of the voters or legislative bodies and arrange necessary financing.

Business Inventories — Business inventory policies are among the most volatile and influential forces affecting short-term fluctuations in economic activity. The business downturn in 1949, the inflationary pressures of late 1950 and early 1951, and the slackening in mid-1951 all represented mainly or in important part the reaction of business conditions to changes in inventory policies. Beginning with the second half of 1952, buisness has again been accumulating inventories. The rate of accumulation reached fairly large proportions in the latter part of 1952; in recent months, the trend has apparently continued, but at a reduced pace.

However, the recent inventory accumulation differs from the upsurge of 1950-51 in at least two important respects. First, business sales in recent months have expanded more rapidly in the aggregate than inventories, and the ratio of sales to inventories has improved; in contrast, in the months following the outbreak of the Korean war, inventories jumped ahead of sales. Second, also in marked contrast to late 1950 and early 1951, there has been a conspicuous absence of inflationary psychology. Consequently, speculative accumulation of business inventories is probably unimportant at present, whereas it unquestionably was an important factor two years ago. These are reassuring aspects of the inventory situation.

Nevertheless, it seems clear that American business could get along with lower inventories and probably would be inclined to reduce its stocks if current sales forecasts, many of which are fairly optimistic, are not fully realized. Such an adjustment would probably react fairly rapidly upon the levels of industrial production.

Several important industries probably cannot indefinitely continue to operate all their facilities without some interruption. Some segments of the textile industry have already had to cut back their production from time to time during the past several years, while the output of some home appliances is apparently being cut back currently.

Even the more optimistic appraisals of the automobile market for 1953 hardly seem to justify the expectation that second quarter production rates can be maintained for the balance of this year. These considerations suggest the likelihood of some decline in the rate of production of important products within the predictable future.

Expansion of Indebtedness — Another brake upon the current peak rate of economic activity appears to be developing in the debt situation. The postwar boom has been accompanied, naturally enough, by a steady and persistent rise in personal and business indebtedness. Increasing attention is being directed to the growth in real estate mortgages and in consumer debt, which are at record heights not only in dollar amounts, but also in relation to personal income. This fact does not necessarily establish that individuals are dangerously overextended, but it does raise some questions regarding the desirability of relying upon a sustained rapid expansion in individual indebtedness to perpetuate the current peak rates of business activity.

Consequently, we appear to be on the horns of a dilemma. Unless we have further inflation, the continuation of the recent swift growth in personal debt for a protracted period would gradually increase the burden of debt, impair the credit-worthiness of some borrowers and subject them to increasing difficulties in meeting their obligations. Such a situation might well carry the germs of more serious problems for the future. On the other hand, a sharp curtailment in debt expansion might have perceptible effects upon important industries, including residential building, automobiles and other durable goods output, which would probably hasten a decline in industrial production and business activity.

A number of forces seem to be at work in our economy which may tend to check the growth of private indebtedness. The present high and rising levels of indebtedness place more and more individuals in a position where they are less willing to add to their borrowings. Also, the markets for some of the durable goods currently being bought on credit may weaken later in the year. Finally, the credit policies of the Federal Reserve System and the debt management policies of the Treasury are operating to limit the rate of credit expansion.

Summary of the Outlook—This brief survey of the economy suggests that most of the main factors underlying the present high rate of business activity are at or near their peaks, that production appears to be running ahead of consumption, and that economic indicators are likely to move downward. Even though the prospective reductions in government spending, capital investment, and consumer purchases of durable goods are expected to be moderate, the combined effect of such a movement raises the prospect of an economic downturn in the fairly near future. It would not be surprising to see a lower rate of activity take hold well before the end of this year.

Obviously, there are a number of possibilities which could importantly alter this anticipated course of business in the period ahead. Too many unpredictable forces are at work in our huge and complex economy to project the future with any great degree of assurance. The economy at present still possesses a tremendous momentum which may sustain activity longer than anticipated. A tax reduction might provide some economic stimulus. A real change in the international situation may importantly affect the spending plans of government and business and the expectations of consumers, and may thus either hasten or defer any adjustment. The purpose of this review is not to forecast in detail the course of events but to call attention to the economic forces which, in the absence of new developments, seem to be working toward lower levels of aggregate business activity, to the end that we may be in position to deal with them more rapidly and more effectively when they make themselves felt.

Economic Climate in a Business Downturn

If this analysis of the factors operating in our economy is reasonable, the question arises as to the conditions which business may face in the event of a contraction from current levels of activity. A prime question, fundamental to business thinking and planning, obviously refers to the kind of a downturn we may expect: whether we are likely to experience a relatively brief and painless readjustment, as in 1949, or whether, at the other extreme, we need anticipate a sustained period of business stagnation. Furthermore, the economic policies of the government will have an important bearing in determining the environment in which business decisions will have to be made.

The Return of the Business Cycle — Always barring war or the continuing serious threat of war, the present state of the economy makes it likely that in the period ahead, we may be more susceptible to cyclical fluctuations in business activity than we have been since prewar days. Such fluctuations in the past were generally characteristic of the American industrial economy, except for the sustained war and postwar boom period, when the forces making for cyclical movements were overridden by the extraordinary combination of public and private demands. The majority of these fluctuations in earlier years was of fairly modest proportions and worked no lasting harm upon the economy or upon the people. In fact, some flexibility and fluctuations in economic activity are, on the whole, probably necessary for the balanced and healthy growth of the economy. The depression of the early 1930's was exceptionally long and severe; we should not fall into the trap of assuming that once an adjustment begins, it will cumulate into the proportions of 1932 and 1933.

Once a significant business downturn takes hold, however, its effects are likely to be of more than casual proportions. Reduction of employment, whether by layoffs, shutdowns or fewer hours, will obviously reduce the income and the expenditures of those directly affected. In addition, other consumers may decide to hold back on their purchases, at least temporarily. Businessmen also will probably be inclined to defer some of their plant programs until they believe they can appraise the outlook more clearly.

Even a modest inventory correction, such as that of 1948-49, can have fairly immediate and substantial effects upon some of the economic indices. The Federal Reserve index of industrial production declined by more than 13% from the high quarter in 1948 to the low quarter in 1949, and the number of unemployed jumped from less than two million to above four million within a few months. Thus, the decline in production and employment may come rather suddenly and may be fairly significant. On the other hand, the comprehensive measures of aggregate economic activity, such as gross national output and personal income, are more stable than the production index. From the high quarter in 1948 to the low quarter in 1949, for example, gross national product and personal income dropped by about 4%.

In the current situation, we are probably justified in assuming that the next general correction will be more pronounced than that of 1948-49. However, the actual extent and duration of any economic downturn is likely to depend upon whether the decline can be held within the fairly narrow limits of an inventory adjustment or whether the lowering of production in key areas will have some cumulative effect upon consumer buying, residential housing and business spending on plant and equipment.

Business, together with government, labor and others, shares in the responsibility for adopting policies which will work against serious unsettlement, prevent an adjustment from turning into stagnation, and which will release and stimulate the recuperative powers of our economic society. Sound policies of this kind would have as their general objectives: (1) the prevention of a spiral of credit contraction and forced liquidation, (2) the sparking of consumer demands, and (3) the establishment of favorable conditions for private investment in housing and business facilities.

Prospective Economic Policies—Government action is likely to play an important part in any economic contraction of significance. The present Administration may be less eager than its predecessors to seize upon a business downturn as an opportunity to extend the Government's grip upon the economy, but this should not lead us to assume that it will be less energetic in taking appropriate measures to prevent an inventory correction from spiraling into a general decline in economic activity. Neither Congress nor the Executive branch of the Government is likely to be less sensitive to the threat of economic instability nor less inventive in designing measures to shore up production and employment if business prospects deteriorate.

Prompt resort is likely to be had to credit policy. Any noticeable decline in business, even in the absence of a pronounced contraction, is likely to be accompanied by an easing of credit. The monetary authorities would doubtless contribute through large open-market purchases of Government securities and possibly a reduction in the discount rate and in reserve requirements in order to assure ample funds for bank lending and investing. Such policies can be fairly effective in preventing a spiral of credit contraction, since the money and investment markets would then be highly liquid and banks presumably would find themselves out of debt to the Federal Reserve banks and in possession of excess reserves. In the event of a significant economic downturn, however, the ready availability of credit is not likely by itself to stimulate business borrowing and spending.

Easy credit policies will probably be accompanied by a larger Treasury deficit. The decline in business activity would probably have to persist for some time before the Government would adopt a program designed deliberately to unbalance the budget. However, even a fairly moderate business downturn would increase the Treasury deficit, since some expenditures (such as farm price support programs, unemployment insurance benefits, and the like) would increase, while receipts are vulnerable to declines in personal incomes and corporate profits. Unlike a generatinon ago, there seems little likelihood of a concerted effort to balance the budget in a business decline by levying new taxes or reducing expenditures.

Should the deterioration in business persist, Government policy would probably be directed toward stimulating consumer spending and private investment. Tax reductions, rather than increased outlays, appear to be the most likely initial avenue of approach. There is some difference of opinion among economists as to whether the economy can best be stimulated, per dollar of revenue loss to the Treasury, by granting tax relief to individuals (to stimulate consumer spending) or to business (to stimulate plant programs). What is most probable is that individual income taxes, corporate taxes and excises will all show some reduction. An appropriate tax device to encourage business spending would be to grant substantially greater flexibility in taking depreciation on new investment in plant and equipment. This would probably provide more stimulation to capital outlays than an equal amount of relief extended in the form of lower corporate income tax rates.

The Role of Business Enterprise

While Government policies will probably play a prominent part in attempting to moderate and reverse an economic decline, business has a real obligation to take energetic and constructive action. The policies adopted by business enterprise are a vital factor in any economic environment; its response to a lower rate of activity can be of great and possibly even of decisive importance in moderating the extent and duration of an adjustment. Should business, at the first sign of economic weakness, lose heart and leave the initiative to the Government, it would in effect declare that the American enterprise system lacks the vigor and the resources to provide for the long-term growth and progress of our economy. The natural consequence of such an abdication by business would be further participation by the Government in our economic life.

A Program for Action—Sound business policy in a less favorable economic environment would be to take the leadership in stimulating the forces of expansion and long-term growth. In the first place, a contraction of economic activity would present business management with the opportunity as well as the need to intensify its efforts to stimulate consumer buying. The best way to do this is to give the consumer more value for his dollar through lower prices and better products. Through the intensive development of improved and modernized products, furthermore, business can induce the consumer to part with his old equipment before the final day of its useful life. Designing new products can help create new desires and cultivate new markets. Industry will have to find ways for improving distribution techniques and passing savings along to consumers. Nowhere are imagination and drive more necessary and more rewarding than in this area of our economy.

A further important contribution to stability can be made in the field of private investment. A basic requirement is that more businesses plan their plant and equipment programs soundly on a long-range basis and avoid the temptation to shelve or reduce them at the first sign of an easing in economic activity. The expansion of plant capacity has admittedly been pressed with great vigor in recent years; it cannot be continued indefinitely at present rates. However, while the need for expansion may be growing more limited, opportunities abound for plant modernization, and thus can be carried out in other than boom years, frequently with substantial savings in costs. There are many examples in American business history that prove the inherent soundness of a long-range approach to the planning of plant and equipment programs. Our industrial history indicates that in spite of some vicissitudes and some problems, American industry has experienced a broad upward sweep in production, productivity and sales. The leaders in American business today are those that persisted in their efforts at improvement, modernization and development in poor years as well as in prosperous ones.

A key to both the development of broader markets and the achievement of more modern and efficient production facilities is provided by research. Over the years, research has become increasingly important to American industry; in fact, it has become the prerequisite to progress. A business decline might lead some corporations to economize on their research programs and to defer or terminate long-term projects. Such action would be shortsighted indeed; the record suggests that the firm that economizes on research during a period of reduced business activity risks turning into a high-cost producer and lacking the new products needed to spark the progress of a company. At no time is research more necessary than when competition sharpens.

I do not intend to minimize the difficulties that business would face in pursuing a bold course in the face of a significant economic decline. The problems ordinarily imposed by a shrinking volume of business are likely to be compounded by the current high tax rates and large fixed costs, including wage rates. Prospects are that taxes, even if reduced, will still remain a heavy burden upon business as far ahead as can be foreseen, while even a nominal reduction in hourly wage rates will probably be most difficult to achieve. However, inaction may be even more costly to business in the aggregate. Furthermore, there are a number of encouraging signs in the picture.

Opportunities for Progress—Today, business is operating in a political environment which is more sympathetic to the problems of industry than at any time in the past two decades. The many years of full employment and high personal savings have not only resulted in a broader ownership of American business corporations, but have made people more conscious of their stake in the enterprise system. All these factors are probably not without importance in maintaining a greater degree of investors' confidence than has been generally apparent in earlier years.

Furthermore, it appears that business corporations in the aggregate will be in an adequate financial position to undertake further investment in research, product improvement and plant modernization in the period ahead. Although business borrowings have been substantial in recent years, corporate equity capital is larger today not only in amount, but also relative to long-term debt, than prior to World War II. Despite prevailing high taxes, corporations have succeeded in building up their equity predominantly out of retained earnings. Furthermore, depreciation charges have been mounting rapidly in recent years; together with retained earnings, they are likely to provide corporations with sizable internal funds even if a moderate business downturn should make inroads upon corporate profits.

Also, in the past decade or so, great advances have been made in gathering information concerning the condition of various markets for goods and services, the distribution of purchasing power, and the behavior of various important components in our economy. As a result, business today is probably in a better position to make decisions based upon factual analysis than it has been in previous periods of our economic history. This should enable alert business management to lay plans with greater assurance and to support them with greater conviction than in the past.

Finally, we should bear in mind that scientific and technological progress has continued unabated in recent years and has opened sweeping new vistas for industrial growth. Advances in the field of synthetic materials, electronics and elsewhere have released many new products to the market; a great many more are in the laboratory or the pilot stage. It is reasonable to expect this growth to continue and to bring added opportunities for business expansion. The dynamic factors in our industrial economy are by no means exhausted.

The past decades of business growth have developed, among business management, a heightened sense of responsibility for the economic health and progress of the community. Throughout the postwar boom, business has given remarkable proof of its emotional stability and maturity; despite repeated inflationary pressures, it has refused to indulge in overconfidence and has generally displayed an unprecedented degree of caution and restraint. The resulting absence of widespread speculative excesses helped avoid many pitfalls of earlier boom periods and probably contributed materially to our sustained prosperity. In the period ahead, business may have an equally important opportunity to demonstrate its good judgment by refusing to give way to excessive apprehensions and, instead, by contributing to the forces of stability and expansion in our economy. The future of business enterprise may well depend upon the ability of business to show courage, imagination and, above all—enterprise!

Joins Vermont Securities

(Special to THE FINANCIAL CHRONICLE)

BRATTLEBORO, Vt.—Frank N. Gigliotti has become associated with Vermont Securities, Inc., 67 Main Street. He was formerly with Townsend, Dabney & Tyson and Tifft Brothers.

J. Clayton Flax Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Hyman B. Pave has become associated with J. Clayton Flax & Co., 1562 Main Street.

Walston Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Joseph Manfrini is now associated with Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was formerly with Hannaford & Talbot.

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Preserving Industrial Peace—Our Most Pressing Problem

for fortune and power. But let us admit, honestly, that this was their doing. And, ironically, it also proved to be their undoing; for in the end, the tools and machines which they built became so big, so complicated and so expensive that even the richest of men no longer possessed enough wealth to acquire them alone.

A hundred years ago, the average worker had about $500 worth of tools at his disposal. Today, however, he must use as much as $100,000 worth of tools and machines in some of our largest industries. And a single company must often employ many thousand such workers.

Widespread Ownership of the Modern Corporation

That is why it is no longer possible for one individual or for one small group of individuals to own any large enterprise in America. And that is also why the Dynasty of the Tycoons has ended forever. It fell—NOT because of the greed or the ruthlessness of which we so often accuse these men, but because they literally worked themselves out of a job! They served their purpose and they passed—leaving in their place, the modern corporation.

Today, most of our big companies are owned by hundreds of thousands of people; and several large corporations have more owners than employees. But since it is not humanly possible for all these owners to run the business themselves, they must hire professional managers to do the job for them.

And that is the great, fundamental change that has taken place in the character of industry and management during the present century. Big Business is no longer run directly by the men who own it; and it is no longer owned primarily by the men who run it.

The industrial manager of today is a "hired hand" who no longer has a purely proprietary interest in the enterprise. Let me hasten to add, however, that he does, of course, have a direct and compelling personal stake in it, because his entire career, his reputation and his very livelihood depend upon his ability to manage the company successfully—to keep it sound and prosperous and to provide for its necessary growth and development. And the better he does this job, the greater his reward is likely to be.

But the profits of the business, as such, no longer belong to him; the payroll no longer comes out of his own pocket; and the failure of a dozen unfortunate competitors can no longer assure his future welfare and security. So he has nothing whatever to gain by starving his fellow workers, gypping his customers, or indulging in the practice of monopoly.

It is true, of course, that he is usually a minor stockholder in the company; but in relation to the vast sums which have been invested in it by all the other owners, his own holdings are necessarily so small as to be negligible in comparison. His dividends, therefore, constitute an equally negligible part of the total profit of the business; and he has no hope on earth of ever building the kind of personal fortune that sprang from industry in days gone by.

Tax Executives Are Also Employees

In fact, many of the top executives in some of our largest corporations have spent a lifetime in the field of industrial management without ever having been able to accumulate as much as a million dollars. And I know that to be a fact because I happen to be one of them, myself.

So like any other employee, the professional manager can succeed only by serving his bosses loyally and to their satisfaction. But he has a great many such bosses, and they often appear to be sharply at odds with each other. In my case, for example, I figure that I have about 700,000 of them. First there are the 285,000 shareowners who hire — and can fire — me. Then there are more than a hundred thousand customers who have to be kept happy if the corporation is to stay in business. And beyond that, my 300,000 fellow workers are not always too easy to please!

As you see, therefore, the life of the industrial manager is not exactly simple. He stands in the great, unhappy middle. His stockholders want larger dividends; his workers want more pay, and his customers want low prices, high quality and immediate delivery! And his job—Heaven help him—is to please them all!

Fortunately, however, the conflict between these three groups of bosses is far more apparent than real; for their long range interests are actually identical.

Since the worker's earning power depends on the tools that he uses, it is to his advantage that profits be large enough to attract the capital necessary to provide him constantly with better ones. But since the tools will not yield a maximum profit unless they are skillfully, efficiently and steadily employed, it is to the owner's advantage that wages be high enough to attract the finest type of workers to their plants. And since the customer will buy only where he can get the best products at the lowest prices, it is vital to both the worker and the owner that prices be kept at the lowest possible level.

So the responsibility of modern, professional management—as I see it—is to operate the company to the joint advantage of all three of these groups. It must serve their common interests at all times. But in doing this, it necessarily serves the public interest; for the customers, employees and owners of American Business are the American public, and their interest is the public interest.

And that is a point which I want to emphasize especially. I know of no way by which any large enterprise in this country can survive today unless it is managed in the long-range public interest—unless it is ready and able at all times to meet the essential needs of its customers, in peace or in war; and unless it can provide for its future growth, in the service of generations yet to come.

Management Has Done A Good Job

As I look at American Industry today, I am satisfied that management has done a good job in meeting these difficult responsibilities. Clearly it has been fair to the owners because they continue to supply it with the most productive and efficient facilities that exist in the world today. Clearly it has been fair to the workers because they enjoy the highest wages and the richest standard of living that the world has even known. And clearly it has been fair to the customers because the price of our products—measured in terms of the hours of work necessary to acquire them—is the lowest on this earth.

Yes, modern professional management has served the public interest. It has provided the jobs, the tools and the goods which our people have needed to sustain their economic welfare and their national security; and I should be inclined to be pretty smug and complacent about our industrial future today were it not for one thing:

And that is this unending strife between management and labor.

Here—to my way of thinking—is the most difficult problem and the most pressing responsibility that the managers of American industry face in this day and generation. We pay, as I have said, the highest wages in the world. We spend hundreds of millions of dollars each year to protect the health and safety of our workers and to help provide for their future security. We spend additional millions on the betterment of human relations within our plants —to make work more pleasant, more rewarding and more satisfying to the men who perform it. But still we have failed to secure industrial peace.

We are confronted by the discouraging fact that there were more strikes in this country last year than ever before in its history; and it seems to me that the leaders of management, on their part, would do well to study those strikes, to determine their causes, to search out the errors that were made, and to avoid their repetition in the future. And with a little soul-searching of the same kind on the part of Labor's leadership, we might — between us — manage to avoid this useless, senseless conflict. For there is one thing we do know: that strikes are never in the public interest; and nobody ever wins them.

The workers lose, the owners lose and the customers lose — and so do the workers, owners and customers in many other companies which are not directly involved in the dispute at all. In short, everybody loses; and certainly all of us would be better off if strikes did not occur.

Why then do they continue; and what can industrial leadership offer by way of preventing them?

Suggestions for Industrial Peace

Well, my friends, I wish I knew; for if I could answer those questions, I would really deserve a medal. But since I can't, I should like in the few minutes remaining to me here this evening, to give you—for what they may be worth—one or two personal observations and opinions based on my own experience over the years.

A wise philosopher once said: "More is needed to deal with a single individual in our times, than a whole people in the past" —and while he made that observation about four centuries ago, its truth is obviously timeless.

And so today, it seems to me that our greatest opportunity, on the management side of the picture, lies in the field of human relations. We must be quick to sense human aspirations and to find the means by which those aspirations can best be realized in this age of mass production. We must also strive to maintain and improve constantly our industrial communications so that both management and men may come to understand each other's problems better.

But above all, we must recognize frankly, I think, that no matter how earnestly the leaders of industry may seek to do so, they will never succeed in gaining industrial peace until the leadership of Labor displays an equal desire to attain it; for industrial peace—if we are to achieve it at all—must be based firmly on mutual confidence, respect and understanding.

Now, in saying that, I realize that it is always easier to see the mote in the other fellow's eye; but it seems to me that the time has come when responsible labor leadership ought to rid itself of two old-fashioned and outworn ideas which seem to lie at the root of most of our present difficulties, and which should have disappeared along with the "Robber Barons."

One of these is the wholly-unrealistic notion that Labor and Management are natural and eternal enemies; and that I, for example, am in some way a foe, or antagonist, of the men who work in our mills. Actually, of course, we are fellow employees of the same company, performing different assignments in our mutual interest, as the nature of our business requires.

The other is this disastrous idea that in order to bargain collectively, we must sit on opposite sides of a table and try to take something away from each other. Our real task, of course, is to join together in producing more wealth, not only for ourselves, but for our whole national economy.

We shall never produce more wealth, however, by fighting over the profits of the owners; nor will our workers ever gain wealth and security for themselves by trying to whittle those profits away; for if we persist in doing that, then one of two things must happen: Either we must go on raising wages on the one hand, and then having to boost prices, on the other—a course which results only in the phony illusion of prosperity—or we shall end up with inadequate profits, poorer tools, less production, lower wages, diminished security, and finally, widespread unemployment.

So it is time we recognized, I think, one simple economic fact that is true under any system of production in any country of the world: and that is that industry's capacity to pay higher wages is not governed primarily by the company's profits; but that it depends entirely upon the value of what the worker produces with the tools that he uses.

But the tragic truth in America today is that industry's capacity to pay could be greatly increased if it were not for strikes and slowdowns and featherbedding work rules which restrict the output of men and machines and limit their earnings accordingly.

If all these restrictions upon the productive power of labor could be wiped out, once and for all, I firmly believe that many of the workers in many of our industries —using exactly the same tools and machines that are now at their disposal, and without lengthening their hours of work in any way—could substantially increase their present earning power. And they could do this, moreover, without necessitating any increase in prices that would add to their cost of living.

Here then, is a field which affords almost unlimited opportunity for enlightened cooperation between the leaders of Labor and Management. I am not suggesting, of course, that Labor should assume any of the responsibilities and functions of Management, or that Management should step in and try to run the union; but I am suggesting that if we can ever get away from strikes, disputes, and blunderbuss bargaining, we have a magnificient opportunity to start working together in our own—and in the public—interest.

I believe that we can, that we shall, and that we must find the way to industrial peace. I see hope in the fact that—just as a great and welcome change has taken place in the character of industrial management during the past 50 years—so a similar change may now be taking place in the character of Labor's leadership.

I believe that the most successful and the most powerful labor unions of the future will be those which never call a strike at all, and never have to do so. They will fulfill their labor contracts faithfully. They will strive—not to destroy—but to promote mutual confidence and understanding between management and worker. And they will insist, above all else, that the only limitations which shall ever be placed upon the productive power and the earning power of any of their members shall be the individual skill, the ability and the capacity of the man himself.

With that kind of union leadership, and with responsible, present-day management, there is no conceivable limit to America's future progress. There is no standard of living so high that our people cannot attain it.

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The General Business Outlook

which I am sure is of the most profound significance.

The Eisenhower Administration has not been in office long enough to develop, or at least unveil, the broad structure of economic policy within which it proposes to operate in carrying out its purpose to perpetuate prosperity. But it has already made it clear that, at least in the initial design, it does not propose to make continuing price inflation a central and controlling part of this structure. It has done this perhaps primarily by vigorous efforts to cut the Federal budget.

A Shift From the Inflation "Incentive"

As I see it, this means that we are in the midst of a struggle to make a basic shift in the incentives relied upon to make our economy run. Almost continuously since the end of World War II, one of the greatest incentives both to buy goods and to produce and distribute them has been the steady reduction in the value of the dollar—in other words price inflation. Why keep money if it is spoiling? Exchange it for goods! Why hesitate to produce at top speed? What you produce will be worth more later.

In view of the fact that we have had a boom almost continuously since the end of World War II, it can be, and in fact is, argued that the inflation policy has worked well. But it has some terrible weaknesses. One, as you know, is that it pauperizes people with relatively fixed incomes. Since these are largely older people who are relatively helpless in protecting themselves, this adds up to a pretty dirty trick. A much more devastating weakness, however, is that inflation works like dope. The habit grows and as it grows, larger and larger doses of inflation are required to get the same effect, with the logical end result being economic collapse because money, which holds our kind of economy together, has lost most of its value and hence its adhesive power.

I assume that it is with its eye cocked to the ultimate disaster invited by the chronic resort to inflation that the Eisenhower Administration is trying to get away from it. If it succeeds we shall have a far stronger economy than we have had at any time during this postwar period, and this in spite of the fact that all sorts of new highs have been hit by fevered rushes of production.

But if the effort is to succeed business will be required to do a lot more exacting job than it has been required to do to enjoy great prosperity since the war. It is a relatively simple thing to produce profits when, as it does, price inflation keeps prices running ahead of costs. Likewise it is a relatively simple operation to round up customers when a dollar is spoiling on their hands and thus helping to herd them in; it is a far more exacting operation when consumers have no such compulsion.

Specifically it seems to me that if the effort to escape from inflation is to succeed, business must do a vastly better selling job than it has been required to do at any time since the end of the war. In selling I include everything from product design through advertising to door bell pushing. Also, if we are to return safely to reliance upon our traditional economic incentives I believe there will be times during the transition when businessmen must go ahead with their plans for capital investment in the faith that the customers justifying completion of these plans will show up a little later. They won't have inflation helping to drive the customers in.

If it is going to carry out its plans for capital investment successfully, the business community must, of course, have cooperation at some key points. One of the most crucial of them is cooperation from the Federal government in holding the funeral of that wretched Excess Profits Tax as scheduled—on June 30. About the only thing about the tax that is not disreputable is its name. It is a deadly killer of economic growth. I anticipate that the requisite cooperation will be forthcoming in the field of business taxation.

But even given all the cooperation they can reasonably hope for, the leaders of the business community must, I believe, do a bolder and more courageous job than they have been called upon to do at any time since World War II if we are going to succeed in getting away from progressive destruction of the value of the dollar as a basic driving force of our economy.

Will We Return to Inflation

And what if the effort to get away from inflation doesn't succeed? The answer seems to me obvious. We'll return to inflation, and the whole set of government controls direct and indirect which go along with it. If you doubt that the government will intervene, and promptly, to try to maintain prosperity if such an operation comes to be in order let me read you one of President Eisenhower's most clear-cut campaign pledges. He made in in a speech in Harlem on Oct. 25 of last year: "So I pledge you this. If the finest brains, the finest hearts, that we can mobilize in Washington can foresee the signs of any recession, and depression, that would put honest, hard working men and women out of work, the full power of private industry, of municipal government, of state government, of the Federal Government will be mobilized to see that that does not happen. I cannot pledge you more than that."

If the government finds it necessary to move in the manner indicated by this pledge, it will obviously be at the heavy loss of our liberties as members of the business community. And since I am sure a large measure of these liberties is an essential buttress of our personal and political liberties these are at stake, too. So while I have been dealing with the business outlook in grubby terms of profits, wages, prices, etc., I have, in effect, been talking about something of vastly greater dignity and importance. That is the outlook for your freedom—economic, social and political. I hope that I have said something which will help you make it very good indeed.

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The State of Trade and Industry

in the first quarter indicated a clean-cut boom—with washer, dryer, and ironer sales jumping 35.5% over the same period last year, states this trade authority. Although at least two major appliance producers announced cutbacks this month, the bulk of the industry's output did not falter—and in some cases was jacked up higher. This in a highly competitive market

Some weeks may pass before major steel consumers work up estimates of how much their costs have been raised by steel industry extra and base price increases. The current phase of steel price increases has run its course. Steel-union wage negotiations are expected to bring another round of increases in base prices. While some base prices have been increased most of the adjustments have been in extras, concludes "The Iron Age."

An agreement between General Motors Corp. and the CIO United Auto Workers, according to reports, at least partly eased the mounting labor tension in the auto industry last week.

Meanwhile, some 126,000 auto workers were off their jobs Friday last, compared with 80,000 on Thursday, because of a series of wildcat strikes in parts plants. This picture is expected to brighten by Monday of this week because of a settlement Friday of a Budd Co. dispute.

General Motors agreed to certain changes, beneficial to its workers, in its U.A.W. contract, which does not expire until May 29, 1955, which included: a total of 19 cents an hour out of 24 cents gained so far will be fixed as a permanent base wage increase, effective June 1 this year. The union gained the 24 cents through an escalator clause in its contract, tied to the cost-of-living index. The union had sought 21 cents as the permanent base. This means that the most General Motors workers now can lose by any future declines in the cost-of-living figure is five cents.

A boost in the annual "productivity" wage increases to 5 cents from 4 cents an hour, effective May 29, 1953, and May 29, 1954.

Some 40,000 skilled General Motors workers will get a 10-cent hourly pay hike. This company previously had offered 5 cents.

Steel Output Scheduled to Rise to 100.6% of Capacity

Watch the household appliance industry for an early clue as to the trend of business and the demand for steel, says "Steel," the weekly magazine of metalworking the current week.

This industry's production is exceeding demand, and for the moment the surplus output is going into storage. In some cases, the producers' storage space is full and they are seeking rental storage space, this trade paper states.

A cut-back in steel buying by the appliance producers would be welcomed by the automakers, who have been struggling to line up enough steel to cover their expansive production schedules, which, if adhered to, might this year set a new record for output.

While the auto industry has not built up alarmingly large stocks of new cars, it has been producing in excess of sales. Auto dealers' inventories of new autos have been creeping up about one car a month. On May 1 they averaged 12.8 cars per dealer, while a year earlier the figure was 7.7, "Steel" magazine reports.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 100.6% of capacity for the week beginning May 25, 1953, equivalent to 2,268,000 tons of ingots and steel for castings as against 99.8% (revised) of capacity, or 2,250,000 tons a week ago. For the like week a month ago the rate was 100.3% and production 2,262,000 tons. A year ago when the capacity was smaller actual output was placed at 2,091,000 tons, or 100.7% of capacity.

Electric Output Extends Advances of Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended May 23, 1953, was estimated at 8,012,902,000 kwh., according to the Edison Electric Institute.

The current total was 53,848,000 kwh. above that of the preceding week when output totaled 7,959,054,000 kwh. It was 866,698,000 kwh., or 12.1% above the total output for the week ended May 24, 1952, and 1,360,203,000 kwh. in excess of the output reported for the corresponding period two years ago.

(NOTE—In our issue of May 21, 1953 the increase in output for the week ended May 16, 1953 over that of May 19, 1951 should have read 1,399,836,000 kwh. in place of 6,559,218,000 kwh., the actual output for the latter period.)

Car Loadings Move Ahead 1.9% Above Week Ago

Loadings of revenue freight for the week ended May 16, 1953, totaled 779,805 cars, according to the Association of American Railroads, representing an increase of 14,394 cars, or 1.9% above the preceding week.

The week's total represented an increase of 25,357 cars, or 3.4% above the corresponding week a year ago, but a decrease of 29,670 cars, or 3.7% below the corresponding week in 1951.

U. S. Auto Output Hampered in Past Week by Supplier Strikes

Passenger car production in the United States last week dropped about 8% because of the wave of supplier strikes, according to "Ward's Automotive Reports."

It aggregated 130,624 cars compared with 141,905 cars (revised) in the previous week, and 92,475 cars turned out in the like 1952 week.

Total output for the past week was made up of 130,624 cars and 20,937 trucks built in the United States, against 141,905 cars and 23,706 trucks the previous week and 92,475 cars and 25,308 trucks in the comparable 1952 week.

Business Failures Decline Sharply

Commercial and industrial failures declined to 156 in the week ended May 21 from the three-month high of 198 in the preceding week, Dun & Bradstreet, Inc., reports. Although casualties were more numerous than a year ago when 145 occurred, they were considerably below the comparable 1951 total of 191 and were only one-half as numerous as in prewar 1939.

Wholesale Food Price Index Reverses Previous Week's Trend to Set New High for Year

The Dun & Bradstreet wholesale food price index resumed its upward trend last week following the mild dip of the week before. The index rose 5 cents to stand at $6.47 on May 19, a new high for the year and the highest level since Sept. 16, 1952 when it was $6.49. The current figure compares with $6.48 on the corresponding date last year, or a drop of 0.2%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Reflects Slight Gain for Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., displayed a mildly higher trend during the past week. The index rose to 279.15 on May 19, from 278.24 a week earlier, and compared with 297.84 on the corresponding date last year.

Irregular movements in grains continued in evidence last week with the bread cereal showing considerable weakness while other grains were comparatively firm.

All wheat contracts fell to new lows for the crop year as the result of slow demand from both domestic and foreign sources and improvement in some Winter wheat sections outside the drought areas of the Southwest.

Corn offerings were limited and the market developed a firmer tone, aided by a good demand for the cash article. Visible supplies of corn continued to drop and were reported at 23,815,000 bushels, as compared with 42,124,000 a year ago. Oats were in fairly good call and moved up in sympathy with corn. Trading activity on the Chicago Board of Trade slackened the past week. Total sales of all grain and soybean futures were reported at 37,400,000 bushels, compared with 40,300,000 the previous week, and 40,100,000 a year ago.

Cautious buying policies continued to rule in the domestic flour market as bakers and jobbers restricted their purchases to small lot replacements.

Slowness in buying was attributed to the improved outlook for the Winter wheat crop and the decline in wheat prices.

Cotton prices turned firmer last week in relatively slow trading. Supporting influences included unfavorable weather conditions which tended to delay field operations and plant growth over much of the belt and the completion of details regarding a $40,000,000 Export-Import Bank cotton loan to Japan. Sales of cotton in the ten spot markets continued to decline and totaled 45,800 bales in the latest week. This compared with 50,100 bales the previous week, and 39,100 in the corresponding week a year ago. Export inquiries were light and sales continued small in volume. The New York Cotton Exchange Service Bureau estimated cotton consumption during the five-week April period at 920,000 bales, equal to a daily average of 37,300 bales. CCC loan entries dropped sharply in the week ended May 8 to 16,300 bales, bringing total entries for the season to 2,024,100 bales, against 459,800 a year ago.

Trade Volume Further Improved as a Result of Mild Weather and Attractive Sales

Retail trade in most parts of the nation quickened perceptibly in the period ended on Wednesday of last week as mild weather and many attractive promotions encouraged shoppers. As during most of the past year, retail merchants generally had larger sales receipts than in the similar week a year earlier. Durable goods continued to attract a larger share of shoppers' money than they did a year ago.

Consumer debt held close to the record set several weeks ago as most retailers of durables stressed relaxed credit terms.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3 to 7% higher than the level of a year ago. Regional estimates varied from the comparable 1952 levels by the following percentages: New England +1 to +5; East and Midwest +3 to +7; South and Northwest +4 to +8; Southwest and Pacific Coast +2 to +6.

Retailers of consumer durables noted a slight slip in the demand for many items although the total spent on such goods remained well above a year before.

The buying of automobiles increased mildly but the interest in used models remained lethargic.

In rising demand were automobile supplies, hardware and small radios. The consumer call for television sets, washers, freezers and large appliances continued to weaken.

The volume of trading in most wholesale markets in the period ended on Wednesday of last week did not vary appreciably from the high level of recent weeks. As during the past several months, total orders were slightly higher than a year earlier; the larger year-to-year gains continued to be in the call for consumer durables. Inventories remained slightly higher than a year ago with the most pronounced rises in consumer durables. Most wholesale merchants were more confident about near-term prospects than they were several weeks ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended May 16, 1953, advanced 7% above the level of the preceding week. In the previous week an increase of 9% was reported from that of the similar week of 1952. For the four weeks ended May 16, 1953, an increase of 5% was reported. For the period Jan. 1 to May 16, 1953, department stores sales registered an increase of 5% above 1952.

Retail trade in New York the past week was "seasonally good," according to trade observers, and as a consequence, gains up to 6% were scored over the like period one year ago.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 16, 1953, registered a rise of 9% from the like period of last year. In the preceding week an increase of 4% was reported from that of the similar week of 1952, while for the four weeks ended May 16, 1953, an increase of 5% was reported. For the period Jan. 1 to May 16, 1953, volume declined 1% under that of 1952.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Alfred R. Meyer, Jr. is now with Hornblower & Weeks, 75 Federal St.

MUTUAL FUNDS

By ROBERT R. RICH

BOSTON FUND for the three months ended April 30, 1953 reports total net assets of $89,408,051 compared with $78,759,404 a year ago. With 4,015,399 shares outstanding, net asset value per share was $22.27 exclusive of a capital gain distribution of 35 cents per share paid earlier this year. A year ago the asset value was $22.36 per share with 3,522,352 outstanding shares. The Fund has 23,735 stockholders, a gain of 3,254 in the past 12 months.

A quarterly dividend of 19 cents per share payable May 25 to stockholders of April 30 record has been declared. In this connection Henry T. Vance, President of the Fund, states that beginning with the current dividend, dividend payments will be approximately the amount of net investment income rather than at a fixed rate.

As of April 30, the Fund's investments were diversified as follows: 56.3% of assets were invested in common stocks; 24.2% in corporate bonds; 17.9% in preferred stocks and 1.6% in cash and treasury bills.

The following are among the major portfolio changes in the three month period:

BOUGHT

U. S. Treasury Bills:	
U. S. Treasury Bills, 2.25%, 7/23/53	$1,500,000
Bonds:	
New England Electric System, 3¼s, '77	$72,000
Preferred Stocks:	Shares
Georgia Power, $4.92	5,000
Pacific Lighting, $4.75	5,000
Southwestern Pub. Service Co., 4.60%	6,000
Common Stocks:	
Arizona Pub. Service	18,000
C.I.T. Financial	25,800
Central & South West	3,500
Crown Zellerbach	9,600
Ex-Cell-O	5,550
Houston Lighting & Power	7,500
Iowa Southern Utilities	11,000
Jewel Tea	6,300
Traders Finance "A"	10,000
Trane Company	5,200

SOLD

Notes:	
C.I.T. Financial, 90-day	$800,000
Commercial Credit, 90-day	900,000
General Motors Accept., 90-day	900,000
Bonds:	
Aluminum Co., Can., 3⅞s, '70	$110,000
Florida Pwr. & Light, 3¼s, '72	125,000
United Gas, 3⅝s, '71	16,000
Common Stocks:	Shares
Central Illinois Pub. Service	9,000

THE SHARES of New England Fund have been qualified for sale in Wisconsin by the Department of Securities of that state. New England Fund, which was founded May 26, 1931, is operated to provide a fully managed investment program for its shareholders, using a balanced-type portfolio to seek for its shareholders a measure of stability of capital, a reasonably good and dependable rate of income, and an opportunity for moderate long-term capital growth. On March 31, 1953, about 28% of the assets were in short-term government securities, corporate notes, and cash; 10% were in corporate bonds and preferred stocks; and 62% were in common stocks—21% in the public utility industry and nearly 13% in oils and natural gas.

KEYSTONE CUSTODIAN Funds, analyzing its own position in the financial life of the country, reports that its more than $200,000,000 in assets make it larger than 93% of all life insurance companies, 97% of all mutual savings banks, 99% of all commercial banks, and all Federal Savings and Loan Associations.

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"It Is Partly In These Business Leaders That We Invest"

THE COVER of National Securities' Annual Report, featuring leaders of corporations carried in the Fund's portfolio, shows, left to right, top: Harry Krehbiel, President, Catalin Corp.; Daniel F. Bull, President, Cream of Wheat Corp.; Joseph H. Sutherland, President, J. P. Stevens & Co.; H. G. Bixby, President, Ex-Cell-O Corp.; Charles M. White, President of Republic Steel. Left to right in the lower row are: Robert E. MacNeal, President, Curtis Publishing; Carl F. Wente, President, Bank of America N. T. & S. A.; F. B. Whitman, President, Western Pacific; Cleo F. Craig, President of American Tel. & Tel.

Among other photographs carried within the report are: J. T. Whiting, Board Chairman of Alan Wood Steel; Stuart M. Crocker, Board Chairman of Columbia Gas System; Harlow H. Curtice, President of General Motors; Eugene Holman, President of Standard Oil (N. J.); D. V. Fraser, President of Missouri-Kansas-Texas Railroad; Harry A. DeButts, President, Southern Railways; Charles R. Cox, President of Kennecott Copper; Bertin Clyde Gamble, President of Gamble-Skogmo.

By CARTER G. BURKE

"What does it take to make an industry great? Natural resources? Location? Plant? A climate of freedom? It takes all of these and more—it takes men."

That was the theme of the Annual Report sent to over 65,000 shareholders by National Securities & Research, sponsors and managers of National Securities Series.

"No one can ever measure the debt of American industry and its stockholders," the report said, "to the men who head the big companies and direct their policies. They have more than their complement of brains, imagination, initiative, vitality and management ability.

"It is partly in these men and in these qualities that an investment is made whenever shares in their companies are bought. In this report, National Securities Series is glad to salute these American business leaders and to note their achievements in the various fields in which some of National Securities Series funds are invested."

In order to introduce its shareholders to the men who run the great complex of modern industry in this country, National Securities Series has featured in this unique Annual Report the photographs of 55 board chairmen or presidents of companies whose securities are held in the portfolios of one or more of the seven National Securities Series funds.

Among the executives pictured in the Report are Harlow Curtice, President of General Motors; Eugene Holman, President of Standard Oil of N. J.; Carl F. Wente, President, Bank of America; Gwilym A. Price, President Westinghouse Electric Corp.; Charles Cox, President of Kennecott Copper Corp.; Ralph Cordiner, President of General Electric; and Col. Roy B. White President of the Baltimore & Ohio Railroad.

The basis for selection of the executives featured in the Report was made as broad as possible in order to represent a cross-section of the holdings of each of the seven funds. Executives were picked as representing: (1) Corporations in which each series has one of the largest dollar investment and one of the smallest, regardless of the size of the corporations; (2) Corporations in which each series has an average investment regardless of the size of the corporation, and (3) The largest and smallest corporations in each portfolio regardless of the dollar investment of the series.

The total amount invested in the corporations represented by the 55 photographs is $27,576,342 as against total assets of National Securities Series of $122,404,337 invested in 356 companies.

National Securities' sales for fiscal year ending April 30 were reported at a record high of $41.8 million, the largest fiscal year sales in the history of the company, with a 46% increase over 1952 sales.

During the period the number of shareholders increased from 53.8 to 65.8 thousand, and shares outstanding from 17.7 million to 23.5 million, an increase of 32.8%.

BACHE EXHIBIT IN WASHINGTON: As another phase of its program of bringing more investment and mutual fund information to women, Bache & Co., members of the New York Stock Exchange, are presenting an exhibit at the International Homemakers' Exposition in the Statler Hotel in Washington, D. C. The only brokerage firm represented at the affair, Bache & Co. explains at its exhibit the advantages of investing in American industry. The photo above shows representatives of the firm explaining the meaning of ticker tape symbols. In the center, is Miss Bess Shoor, of Bache & Co., the first woman customers' registered representative in the United States; on Miss Shoor's left is L. B. Brubaker, Manager of the Bache Washington office, and on Mr. Brubaker's left, is Mrs. Stephen J. Nicholas, Executive Director of the General Federation of Women's Clubs. Others are, from the left, Miss Analeise Quilitz, of Bache & Co.; Mrs. C. L. Ragsdale, of Birmingham, Ala.; Henry G. Strobhar, of Bache & Co., and at the far right, Mrs. Norman Allen, of Hammond, Indiana.

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NET EARNINGS of Investors Diversified Services, Inc., in the first quarter of 1953 approximated $1,005,692 of $3.46 per share, compared with $932,534 or $3.21 in the corresponding period of 1952, the company announced yesterday. Undistributed earnings of I.D.S.' wholly-owned subsidiaries were $778,574 or $2.68 per share of I.D.S. stock against $378,035 or $1.30 per share, making the total increase in surplus $1,784,266, equal to $6.14 per share, in the first quarter of 1953 against $1,-310,5[illegible]9 or $4.51 per share in the like period a year ago, the company stated.

SALES OF Delaware Fund stood up well in April despite the decline in the stock market during that month, W. Linton Nelson, President, reports.

April sales, he said, amounted to $322,000 and compared with average monthly sales of $338,000 during the first quarter of this year. Sales of the Fund for the first four months of 1953 amounted to $1,336,000 and were 20% higher than the average of the Fund's monthly sales during the last half of 1952.

"I have the impression from our sales since the market decline in March," Mr. Nelson observed, "that the small investor doesn't share in the forebodings of many of the market professionals. Our reports from the field," he went on, "would indicate that many of the small investors like what is being done in our economy."

IN THE NEW, illustrated folder on Group Securities' Fully Administered Fund, its investment policy is compared to the conduct of any careful driver on a long trip.

To quote in part: "As a careful driver you are concerned with reaching a pre-determined destination with the least amount of risk. You are not trying for a speed record. You know there are hazards on the road which will increase and decrease with traffic conditions. Your purpose is to achieve the best combination of speed and safety. You will accept the greater hazard of increased speed when the road appears clear but will reduce speed — even though not certain of danger—when visibility is low or road conditions are more hazardous.

"In investing, 'speed' and 'safety' are controlled largely by the amounts of aggressive and defensive-type securities used. When business conditions are favorable common stocks generally are best for 'speed,' but in times of business uncertainty prudence may suggest that more money be placed in bonds. While 'speed' is thereby reduced, 'safety' is increased."

A PHILADELPHIA printing and wholesale stationery company, Shaw's Inc., announces that it has established a profit-sharing retirement fund for its employees.

The plan provides that all contributions be invested in shares of one of the leading balanced mutual funds in the East.

Thomas M. Shaw, President of Shaw's Inc., said that all contributions to the fund are to be made by the company. Employees with three years continuous service are eligible to participate. The retirement fund will be administered by the Pennsylvania Company for Banking & Trusts as trustee under a trust agreement.

A retirement plan of this type, according to the investment firm which developed it, provides experienced investment management at low cost, keeps operating expenses at a minimum and allows maximum flexibility and liquidity because each participant's shares are not comingled, but are kept in an individual account.

KIDDER PEABODY & Co. in New York starts a five-minute question-and-answer program Saturday morning, May 20, at 9:15 over station WOR. The program is called, "The K-P Key."

"Surveys have shown," a spokesman said, "that a large percentage of families shy away from investing because they don't know the why's and wherefore's of Wall Street. Our effort will be to answer some of the elementary questions we are most asked by the public as a result of widely increasing interest in mutual funds." The series will be recorded for cross-country distribution.

Continued from first page

Let's By-Pass UN in Korea

military alliance. It is an attempt to build up freedom throughout the world and provide arms for all those nations which are sufficiently free so we can be reasonably certain or reasonably hopeful that they will use their arms to fight the Communists if they are attacked.

The difficulty with the United Nations as a means of preventing military aggression was obvious from the beginning. I pointed out in the first speech I made in favor of ratifying the United Nations treaty that it could not possibly prevent aggression because of the veto power which could be used by any one of the five powers to veto united action against themselves and against any one of their satellites.

The United Nations was based on the theory of a five-power control of the world, and whenever one of those powers refused to go along it was hopeless to create any sanctions that would be binding on the other nations to provide troops against aggression.

United Nations and Korea

We made an abortive attempt to rely on the United Nations when the North Koreans attacked in 1950. It happened that the Russians were boycotting the Security Council, and so we were able to persuade the others to call for troops from all members against the North Koreans.

There is some doubt whether the call was a valid call even then, because the charter clearly requires the affirmative vote of all of the five controlling nations, and I don't think that absence provides an affirmative vote.

Nevertheless, it was treated as a proper sanction and produced a few troops, in addition to those which we had to send to Korea. But Russia returned at once to the Security Council, and when Communist China attacked, then the United Nations failed to take any action against the real aggressor, and from that time until today has refused in every way to take action or punish the real aggressor.

There has been some attempt to substitute the General Assembly as a body which can call on nations to join in defeating an aggressor, but the General Assembly has absolutely no such power under the United Nations Charter. It is very doubtful to me whether we would be wise to try to set up and develop any such power. In an assembly where we have one vote out of seventy, it can be easily turned against us in the future.

I believe we might as well forget the United Nations as far as the Korean War is concerned. I think we should do our best now to negotiate this truce, and if we fail, then let England and our other Allies know that we are withdrawing from all further peace negotiations in Korea.

A Korean Truce Not Solution

Even the best truce under present conditions will be extremely unsatisfactory. It will divide Korea along an unnatural line and create an unstable condition likely to bring war again at any moment. It will release a million Chinese soldiers, who no doubt will promptly be moved down to Southern China for use against Chiang Kai-shek or against the French in Indo-China.

It seems to me that from the beginning we should have insisted on a general peace negotiation with China, including a unification of Korea under free Koreans, and a pledge against further expansion in Southeast Asia. If we once make this present truce, no matter what we put in the agreement about further negotiations for united Korea, it is no more likely to occur than a united Germany.

In any event, I think we are bound to the policy of preventing Communist aggression where it occurs and where it is within our means to stop it. I have never felt that we should send American soldiers to the continent of Asia, which, of course, includes China proper and Indo-China, simply because we are so outnumbered in fighting a land war on the continent of Asia it would bring about complete exhaustion even if we were able to win. I believe we might as well abandon any idea of working with the United Nations in the East and reserve to ourselves a completely free hand.

This statement is going to shock a good many people who still believe in the United Nations. I believe in the United Nations myself, but not as an effective means to prevent aggression. It does have many methods by which, through peaceful persuasion, it can deter and prevent war.

It has important agencies which are concerned with the improvement of conditions throughout the world. But as far as the prevention of aggression is concerned, it might as well be forgotten for the present. I think we should call a conference for amendment of the Charter and work out a plan such as the one I described last year in my book on foreign policy which would have a reasonable chance of preventing aggression and eliminating the veto power.

United Nations Abandoned in Europe

But no one should be shocked at my suggestion about the United Nations in Korea, because in Europe we have practically abandoned it entirely. When we adopted the North Atlantic Treaty, we did not ask the United Nations leave, and we did not consult it. We claim that such an organization can be formed under the terms of Section 51 of the Charter and perhaps it can. But to my mind it is the complete antithesis of the Charter itself, and while it may not violate the Charter, it certainly substitutes a military alliance for the United Nations as a means of preventing Soviet aggression.

NATO, following the Greek and Turkish agreements and the contemplated arrangements with Spain, is clearly a military alliance of the old type. We promised to spring to the aid of any nation which is attacked, either by the Russians or by any other nation, including one of the NATO group. Our obligation continues for 20 years.

So today, as since 1947 in Europe and 1950 in Asia, we are really trying to arm the world against Communist Russia, or at least furnish all the assistance which can be of use to them in opposing communism.

Is this policy of uniting the free world against communism in time of peace going to be a practical long-term policy? I have always been a skeptic on the subject of the military practicability of NATO. I am no military expert, but I have never heard an argument that impressed me attempting to show that United States ground forces could effectively defend Europe.

Certainly we seem to have undertaken to defend countries like Norway and Denmark, which it would be almost impossible to defend in case of a sudden Russian attack. I have always felt that we should not attempt to fight Russia on the ground on the Continent of Europe any more than we should attempt to fight China on the Continent of Asia. I have always felt that, that defense must be undertaken by those who occupy Western Europe. After all, there are at least 225,000,000 of them, 50% more people than we have in the United States.

I have always been concerned that once our troops are in Europe, the Russians would be able to bomb all of the factories and communication lines behind them. One atomic bomb would probably destroy a French port for a year, and eight or ten bombs would cut off most means of supplying our soldiers or withdrawing them in case of retreat.

If we are worried here in this country about the dropping of Russian bombs on American cities and factories, surely it is ten times as easy for them to bomb Western Europe and its ports. Or they could leave Europe alone and devote themselves to a bombing of this country, in which case our European expenses would be of doubtful value.

Difficulties in Maintaining an Allianee

But there is another difficulty about maintaining the general policy of a unified world-wide opposition to communism by all free nations: we have to have not only the written word but the real sympathetic support of our allies in that job. Recent events in France and England indicate that they are more than anxious to settle with Russia and resume as much trade as possible, which means that as long as Russia talks nicely the whole military alliance against Russia is weak, even though military preparations behind the lines continue unabated.

Secretary Dulles has tried to reassure the Iron Curtain nations that we are not going to make a deal with Russia giving the Communists a zone of influence over all the Iron Curtain countries. It seems clear that Mr. Churchill and the French administration would be willing to assign that zone of influence gladly and abandon the Poles, the Czechs, the Hungarians and the Rumanians to the tender mercies of Soviet Russia in return for some cut in armaments, freer trade and promises to behave in the future.

The present Administration has the job of trying to maintain this world-wide alliance against Soviet Russia. We have spent billions for that purpose. I hope that it can be carried through, and only raise here the doubt as to whether it is in fact possible over any long period of years.

It is pretty hard for the United States to claim the right to cut off trade channels which have existed for centuries. I have no doubt about the desirability of the policy if it does not go beyond our economic strength, but I do doubt its possibility.

All that I can urge is two different kinds of tolerance to this tolerant body. The first is that we be tolerant of the situation of every country, that we try to understand their problems and not force upon them a policy they do not approve, either by the pressure of grants of money or grants of soldiers. No doubt they will be glad to get these, but they will be of little use to us unless the policy which they are supposed to enforce is the determined policy of the country concerned.

Second, I urge upon you tolerance of those who are trying their best to conduct our foreign affairs. I think already they know more about the realities of the situation than those who preceded them. I know that they are inspired with the best of good will toward all nations. They have to meet what seems to me the most difficult problems of foreign policy the United States has ever faced.

Continued from page 5

Formosa and the Far East

peak levels. Sugar output is lower than it was before the war largely because it took considerable time to rehabilitate plantations after wartime damage and neglect. Also, except for this year, sugar acreage has been restricted because of low world prices. For the first time, some farmers on Formosa are growing wheat on a relatively large scale in order to reduce Formosa's dependence on imported flour.

The island raises choice fruits such as tangerines, oranges, bananas, and pineapples. It also produces petroleum, fertilizer, cotton, coal, salt, and cement.

Land Reform Program

In Formosa, as in most of Asia, there are too many farmers and not enough land. Every bit of land which can be cultivated is used. Most farmers are tenants and rents are high.

A land reform program of "Land to the Tiller" is proceeding in three steps.

(1) The tenant farmer now pays a maximum of 37.5% of the main crop in rent instead of the former 55%.

(2) Plans are almost completed, so that the 162,500 acres of public land—17% of all rented land—is being sold by government agencies and enterprises for purchase by tenant farmers.

(3) Private ownership of land will be limited to approximately seven acres. The government proposes to purchase about 430,000 acres, out of some 615,000 acres of land now held by landlords, and resell it to tenants and farm laborers. It is planned to compensate the landlords with bonds payable in farm products and with shares in public corporations.

Why Is Formosa in the News Today?

We have taken a new look at the island since the election of President Eisenhower.

In December, 1949, our State Department emphasized that "Formosa has no special military significance." On Jan. 5, 1950, President Truman told his "press conference," "The United States [has no] intention of utilizing its armed forces to interfere in the present [Formosan] situation. The U. S. Government . . . will not provide military aid or advice to Chinese forces on Formosa."

Approximately six months later, on June 27, 1950, two days after the Korea attack, President Truman announced, "I have ordered the Seventh Fleet to prevent any attack on Formosa. As a corollary of this action, I am calling upon the Chinese Government on Formosa to cease all air and sea operations against the mainland. The Seventh Fleet will see that this is done."

Since then we have announced that Formosa is included within the American defense system in the Far East. We have set up a military mission on Formosa in addition to our Mutual Security Program, and we have concerned ourselves with its serious economic problems growing out of the island's need to maintain a strong military position.

President Eisenhower in his State of the Union Message on Feb. 2, 1953, announced that he was issuing instructions that the Seventh Fleet no longer be employed to shield Communist China. He thus took action ending the Seventh Fleet's "neutralizing" role between Formosa and the Mainland of Red China.

On April 18, 1953, Secretary of State John Foster Dulles, in a speech reviewing the first 90 days in the foreign policy of the Eisenhower Administration, said, "In relation to Indochina, the French Government and the associated states have been told that we would be favorably disposed to giving increased military and financial assistance. We negotiated with the governments of Britain, France and other maritime powers for a tightening of the blockade of Cummunist China. They are taking important practical measures. You can see, as others have seen, that a new order of priority and urgency has been given to the Far East."

Our Policy Toward Formosa

It is assumed that the United States will pursue an aggressive, positive policy on Formosa with the general objectives of, first, denying Formosa to the Communists and, second, using the potential present in Formosa for the weakening of Communistic control and the eventual establishing of free institutions on the China Mainland.

There is probably no more difficult, or strategically more important, question than that of using to full the potential on Formosa as part of a broad effort to bring about the eventual liberation of China, predominantly from within. The achievement of this objective should assist in upsetting the Kremlin's balance of power and lead to a crumbling of the whole Cummunistic World Movement. There are risks and difficulties in a positive program aimed at achieving this objective, but there is hope in such a program. An adequate and wise program of United States aid should continue to be carried out on Formosa to capitalize fully on the potential that exists.

Relation of Formosa to Far Eastern Problem

Formosa is a major key to the whole Far Eastern situation. It has been called a "Show Window" and an "Unsinkable Aircraft Carrier." It is both.

It is a show window, because everything that goes on there is well known to the Mainland of Communist China. The officials of the National Chinese Government realize that they must first land ideas for land reform, good government, and rising living standards on the Mainland, before they can attempt to land troops.

Formosa is an unsinkable aircraft carrier because it is a continued threat to the Communists on the Mainland, even if we never use it. We should never forget that the Russians and the Chinese Communists are having their problems too; while we worry about their intentions, they are worrying about what we are doing. If war should occur, Formosa would really be an "Unsinkable Aircraft Carrier."

Chinese National Army

What about the Chinese National Army on Formosa? I can tell you a little about it because we saw the Army first hand and witnessed it in beach landing and other military exercises. We inspected an Army regiment of Chinese troops. We saw an air show. We talked to Chinese generals, including the Commander-in-Chief of the Ground Forces, General Sun Li-jen, a graduate of Purdue and VMI. We saw some of the equipment. We talked to statesmen and military leaders about the potential of the Army.

The Chinese National forces on Formosa number between 400,000 and 600,000 officers and men. They are in excellent physical condition.

The Chinese Air Force has excellent pilots. Some people think the Chinese pilots are among the world's best, when trained. The Chinese Air Force is hoping it can get more modern planes.

The average age of the men in the Chinese National Forces is 28 to 29. The Army is growing older, but it is probably good for the next three or four years.

Since May, 1951, the training of the Chinese Armed Forces has been supported by the U. S. Military Assistance Advisory Group, Formosa, or MAAG, Formosa, as the group is called. This group is now under the command of Major General William C. Chase, United States Army. General Chase has served in the Army since April, 1917. He has an outstanding combat record in World War I and World War II.

The Chinese soldier is willing and eager to learn. Several of the American officers that we talked to were very enthusiastic about the rapid manner in which the Chinese soldier picks up and adopts American modern war methods.

It is the hope of all of the Chinese National soldiers and the top Chinese officials on Formosa to return to the Mainland of China.

Formosa is extremely important for the West, but we must not think that the National Army now on the island as a force that will militarily soon defeat the large Communist machine that has been developed on the Mainland.

The Chinese National Army has the core of an effective fighting force, but much will have to be accomplished before it is ready to achieve major victories in battle. There is a shortage of modern equipment. As General Chase has said, the National Army needs more heavy hardware. Fortunately, the supply of modern arms from this country is being stepped up.

In spite of all of the shortcomings and the fact that the Political Affairs Bureau may exercise too much political activity within the National Armed Forces, it is generally agreed among those who speak with authority that a strong fighting force can be built on Formosa. Great progress is now being made toward this objective.

While present unsettled conditions in the Far East continue, a modern effective military force on Formosa is a great deterrent to further aggression from the China Mainland and a morale builder for the Anti-Communistic countries of Asia.

Invasion of the Mainland

Could Chiang Kai-shek and his Armed Forces **alone** invade the Mainland?

The answer is No. We cannot expect the impossible. Chiang's armed forces of something less than 500,000 effective troops **alone** cannot conquer a nation of nearly 500 million people.

If Chiang Kai-shek is to make a successful landing and invasion of the Mainland of China, he will require U. S. Naval and Air Force combat support and logistical support. Without such aid, any major invasion would undoubtedly fail. Chiang's forces do have the capacity, however, to carry on raids against the Mainland and to blockade shipping along the Southeast China coast.

Welcome by Southern China

Would the people of Southern China welcome Chiang Kai-shek? Many of them would welcome him. Southern China is in many ways different from Northern China. The Southern Chinese have a different language than the Northern Chinese. Their main food is rice. Wheat predominates in the North. The present Communistic government in China is a Northern China Government. It is not too popular in Southern China. People in Southern China are apparently getting fed up with Communism. Therefore, they are turning more to Chiang Kai-shek, probably not because they like him, but because they are becoming disillusioned with Communism.

There is an old saying that the Chinese are always on the winning side. If the Chinese on the Mainland thought that Chiang Kai-shek, supported by us, would win, they would be for him.

There is hope that there will be a rift within China. However, with each day that an invasion is put off the chances for uprising within China become less.

Loyalty of National Chinese Troops

Would the National forces now on Formosa remain loyal if a major invasion was attempted? They undoubtedly would if we lifted them across the Strait in our ships and gave them our enthusiastic full support. The National troops do have high morale, and their officers seem to talk seriously about their hope to return to the Mainland.

Chinese National Government

Is the present Chinese Government of Formosa a good government? It probably is as efficient as any other government in Asia. Almost everyone has sufficient food, especially the farmers. The necessary social needs are being met. There is order on the island.

The officials of the government are working intelligently to achieve eventual self-sufficiency.

Within the Chinese National Government, there is a conflict going on between two opposing forces regarding how best to fight Communism. Several leaders apparently believe that Communistic techniques should be used and that there should be maintained a totalitarian process of control of civilian personal liberty. This group is headed by the Generalissimo's oldest son, Lt. General Chiang Ching-Kuo, who is Director of the Political Department of the Armed Forces. He is head of the secret police and is becoming increasingly important in the National Party. He is said to be strongly anti-Communist, but he does believe that Communism must be fought with Communistic techniques. He is reported to hold the view that the Mainland would not have been lost if more severe police controls and measures had been used by the National Government.

The other group has been largely responsible for progressive developments on Formosa during the past two years and has cooperated most closely with the United States efforts there. This group includes such men as K. C. Wu, a graduate of Grinnell College of Iowa and of Princeton and who up to several weeks after we left Formosa was Governor of the Provincial Government; George K. C. Yeh, Minister of Foreign Affairs and a graduate of Amherst; C. K. Yen, Minister of Finance; and General Sun Li-jen. This group understands and really believes in the principles of democracy. They believe that continued reliance on Communistic techniques will hinder the growth of popular support for the National Government of China and lessen the chances of achieving the objectives of the Mutual Security Program.

Democratic policies should be encouraged on Formosa, since it is inconsistent that our country with its democratic ideals should support a regime that uses Communistic tactics to enforce its will on the people. The Chinese National Government will gain for itself great support if it concentrates on giving the people of Formosa the best government possible with an increase in their living standards and a greater measure of individual freedom.

However, we cannot write off the Chinese National Government and permit a key military base to degenerate, just because they show little convincing evidence that our republican form of government, which we find so well adapted to our needs, is really not suited to them. Most of us take it for granted that the thing that works here, ought to work equally well everywhere else. But this conclusion is not justified by experience.

We must realize that the Oriental method and philosophy of government differs radically from ours and that the Chinese National Government does not and will not always follow democratic methods; however, if Chiang's regime had given the Chinese on the Mainland the same kind of government they are now giving Formosa it is doubtful whether they would have lost China.

Mao's Communist Government In China

While the Chinese National Government on Formosa has become stronger during the past two years, the Chinese Communists on the Mainland also greatly improved their situation. They are bringing the Chinese people more and more under tighter central control. Communist China is in a strong position today.

They are said to have destroyed practically all books giving the history and traditions of Old China. They have gone a long way in breaking up the historical Chinese family system.

While it is difficult to ascertain what is going on in China, it would appear that millions of peasants are not as well off as they were formerly. While most of them have been awarded land, heavy taxes are taking most of their farm products.

Workers in the cities—the class most popular with the Communists—are apparently better off than they were before, with incentive pay and social security insurance. Since private enterprise is becoming less and less as the State moves in, the urban middle class — divested of most of its wealth—is not faring so well.

Everyone on the Mainland must pay lip service to the new government. It is reported that the majority of students support the Communists. If the Reds remain in power for a few more years, millions of students will become adults without having known any other government.

The rigid controls of the Communist police-state system extend into every community. We must realize that Communist China is now an important factor in the politics of the world, since it has brought under strict control nearly 500 million people.

Chiang Kai-shek

President Chiang Kai-shek is President of the Republic of China, Generalissimo of the Armed National Forces, and Director-General of the Kuomintang (National Party). He is known as the "Gimo." He looks more like a genial professor of philosophy than a great military general. He is 66 years old and appears to be in good health. His eyes shine and he has a keen sense of humor. He doesn't speak English; of course he has excellent interpreters. At the time we were there Madame Chiang, who usually acts as his interpreter, was in New York. She is now in Formosa with the Gimo. I think he understands a lot of what is said to him in English.

He had our team in his office for about forty-five minutes one day, and the following day he gave us a dinner in his attractive home. He was very jovial at the dinner and told us that he liked to talk to businessmen but he did not like to talk to diplomats.

A custom of the ordinary Chinese dinner is to leave shortly after the dinner is over. However, at the President's home he kept us for about thirty-five minutes after the dinner, talking earnestly to several of us.

The typical Chinese dinner consists of from 12 to 14 courses. The President's dinner was about eight courses, and he had it served in Western style, that is with plates, knives, forks, and spoons.

Chiang Kai-shek has been fighting Communism since 1927. There is no other outstanding figure in Asia who has fought Communism more consistently. He saw the issue clearly from the very first. He is a symbol of Free China; it has been said that he is Nationalist China. He is a hybrid of the old and the new China. However, he is a product of old China rather than of new China.

One of the greatest sources of strength of the Gimo in his early years was that he negotiated far more battles than he fought. When the warlords of China saw the handwriting on the wall, he let them join his Army and become part of his administration. That is the old type of China in him. Eventually that became a great source of weakness, because these old warlords that he had taken in finally turned against him.

Another of his weakness is that he makes too many decisions that should be made by the men under him. Like most leaders, he likes to exercise his power. As the active head of his government and party (the Kuomintang), he makes all policy decisions, in addition to many minor decisions. However, he seems to be learning new methods, and he does have the ability to offset many of his weaknesses.

Chiang has had the opportunity to become the chief leader in the amazing transition of old China to a modern state. It is questionable whether he has the equipment and the knowledge of economic life to be able to do that job. However, he is honest and he is a true patriot. He is a Christian, a very devout Methodist, and leads an austere, simple life. He is the only man who can rally Free China. The United States must look to him, once American policy on Formose has been clearly defined.

Economic Situation of Formosa

The basic fact in the economic situation is that an area of the size of the States of Vermont and Connecticut, with only one-fourth of its area cultivatable, is called upon to support a population of almost seven million original inhabitants, a refugee population from the China mainland of about two million additional persons, and two levels of government, national and provincial. In addition, its economy is called upon to support an armed force numbering up to 600,000 men, and to procure equipment and erect installations that are essential to the success of the present military program.

This cannot be done without outside aid. The economy of the island could readily support, with a good standard of living, its civil population. It cannot, in addition, pay, feed, clothe, and house this large number of troops and build up the installations needed in the present effort to create an effective military force out of the troops now living there. Efforts to do this require expenditures greater than can be met by revenues available to the Chinese National Government.

Accordingly, there is a deficit, both in the internal budget and in the balance of international payments. The American aid program is designed to make up this deficit. Since the deficit is the result of necessary expenditures for military purposes, the economic aid program is devoted almost entirely to the support of the military effort.

A balanced budget is essential to economic stability on Formosa. Public borrowing to make up deficits is impossible to any considerable extent, since funds on which the government can draw for such purposes are extremely limited. The alternative of resorting to the printing press would lead directly to inflation. Considerable progress has been achieved during the past three years in cutting down deficits. American aid has been an important factor in this achievement, but vigorous tax collection efforts of the National Government also have been very important. The people of Formosa now carry a heavy tax burden which can hardly be increased.

The second major economic problem is the deficit in foreign exchange which arises because the amount received from exports is insufficient to obtain the commodities that the island has to import, including military items imported by the National Chinese Government itself. Through increased exports, especially sugar, rice and other agricultural products, the foreign exchange earned by Formosa has increased almost three and a third times in the three years from 1949 to 1952. This amount, however, cannot cover the needed amounts of such supplies as fertilizer, soy beans, petroleum products, and cotton, as well as machinery and parts for the development of industry. (American airmen effectively bombed Formosan industrial plants during World War II when Formosa was a Japanese colony.)

Since the Chinese National Government itself has no other resources on which it can draw for these purchases, the deficit must be made up by outside aid or by private investment. The reasons why private companies have not made private investment on Formosa are:

(1) Fear of possible war damage to their plants—that is, damage from attack by the Communists on the Chinese Mainland, and

(2) Fear of possible interference by the National Government of the Republic of China.

As an incentive to attract American private business to Formosa, compensation for loss from war damage should be guaranteed by the United States Government. In June, 1952, the MSA Industrial Guaranty Program, which guarantees American investors against inability to convert foreign currency receipts and against loss from expropriation or confiscation, was made applicable to Formosa.

As a result of the combined effects of National Chinese Government action and United States aid, a substantial measure of economic stability was achieved during 1952. This was evidenced in a nearly balanced budget and in a slight decline in price levels and exchange rates.

There is danger that there may again be inflation on the island, largely because of this year's sugar crisis, induced by an unusually large crop in Formosa and large crops in many other major sugar-producing countries, which made it difficult for Formosa to market its crop. 250,000 tons of sugar were sold to Japan, after a long period of negotiation, for $35 a ton less than the price originally asked. It is estimated that Formosa will have nearly 800,000 tons of sugar available for export this year.

The government also found it difficult to collect rice needed for internal use and for export. A profit is usually made by the government in its handling of rice and sugar. This profit may be reduced drastically and any reduction will be reflected in the budget.

This situation permits no rosy view of the economic situation to be expected in Formosa during the forthcoming year. Even at best, it appears likely that economic stability during the next fiscal year can be continued only if economic aid is maintained at a fairly high level.

How MSA Aids Formosa

The Mutual Security Administration finances imports into Formosa of selected agricultural and industrial commodities essential to maintaining the economy of the Island. The sale of many of these MSA-financed imports provides local currency to support necessary civilian and military projects.

The MSA program also includes a large percentage of "common-use" items which go directly to the military forces on Formosa, supplementing the military assistance program carried out by the Department of Defense. In addition, MSA has helped Formosa's military possibilities by assisting in the construction and improvement of highways, bridges, and harbors which can be used jointly by the armed forces for strategic purposes.

The Joint Commission on Rural Reconstruction (JCRR), composed of three Chinese members and two American members, is doing excellent work in formulating and carrying out a program of rural reconstruction in Formosa under the general direction and control of MSA. Work has been completed on about 300 projects leading to improvement in agriculture, livestock and disease control, irrigation and flood control, forestry and fisheries. The JCRR program has been an important factor in bringing about the generally good condition now found among the large rural population of Formosa.

In addition to the program for agricultural improvement on the Island, MSA is emphasizing projects to develop power, transportation, fertilizer manufacture, and port facilities.

MSA also provides experts from the United States to advise and work with the Chinese Nationalist Government.

Outlook for Reducing Aid to Formosa

Costs to the United States economic program can be reduced by eliminating all frills and refinements from all parts of its program — agricultural, transportation, industrial development, and technical assistance—and by limiting its proposals strictly to what is essential for the achievement of United States objectives on Formosa. We must make up our minds when and how the Formosan economy, and especially its industrial productivity, shall be orientated—whether, on the assumption that the Mainlanders will return to the Mainland, the Island should be made an economic adjunct to the Mainland economy, or whether we should put greater importance on the present foreign trade of Japan and integrate Formosa more closely with the Japanese economy. Policy decisions should be made and a clear course set so that the aid program can be more efficiently and economically administered.

However, as long as a military burden of the present size must be borne by the economy of Formosa, it would be unrealistic to imagine that the Formosan economy can become self-sustaining. Taking all of the possibilities into account, an immediate reduction of economic aid to Formosa is precluded by the large expenditures required for military purposes and by the basic facts in the economic situation.

Unless increased expenditures for military purposes are required, it should be expected that the need for economic aid can be reduced substantially after one or two years, but probably not eliminated. If military activities are increased, economic aid will also have to be increased in order to maintain the economic and social stability necessary to a successful military effort.

Our group of 11 chairmen who headed teams which evaluated Mutual Security Program operations in 12 countries, believes that because of the improved situation—largely in Europe—financial aid throughout the world for economic purposes should be reduced greatly for the next year, and most of it stopped within a comparatively short time. However, that group has said that some countries, such as those in the Far East, must have further economic aid if we are to continue our current military program. In other words, we are probably going to have to pick up the check for some time to come in Formosa.

Necessity of Building Strong Allies

Our basic objective in providing foreign aid now is to build up strong allies as a means of defending the Free World against the continued encroachment of Communism. This means the improvement, not only of military potential, but also in the basic security to be found in having allies with governments capable of governing their populations under standards of living high enough to make them difficult or impossible targets for Communistic ideas for the next five or ten years.

This program must be so handled that the populations and especially the governments of the countries allied with us will not become accustomed to relying upon us in all emergencies but rather will develop resourcefulness, aggressiveness, integrity, self-respect, and eventual financial independence, and thus become the kind of allies we need and must have during the next few years.

It might be said that one difficulty with our present aid program in Formosa is that it does not sufficiently induce the Chinese Government to become more responsible for its own economy; instead that government is allowed to continue in the habit of mind of receiving money for its activities when it should earn more for itself and stand on its own feet.

However, full credit should be given to the group of able, conscientious, and hard-working officials of the Chinese Government who have striven intelligently and with determination to stimulate and guide their government in assuming responsibility for solving the Island's economic problems. Notable progress has been made as a result of their efforts; however, more can and should be done.

Birth Control

As long as birth rates continue at anything like their present levels in Formosa and in other over-populated areas such as India and China, the best possible way of improving the economic condition of the people in those countries and elevating materially, the scales of living of the masses of the inhabitants, is to instruct them properly in birth control. As old man Malthus suggested a long time ago, the best hope for over-populated areas like Formosa, China and India is to have some kind of affirmative effort made to control births. Otherwise, it is doubtful if the economic system can outrun the fertility of the people.

Effect of Our International Policies on the American Economy

Since 1913, our international policies have required us to extend aid and grants to our allies to an aggregate total of some $110 billion. It has not been repaid. We probably do not expect it to be repaid. During the past seven years the aid we have extended has amounted to more than $35 billion. Carrying out international policies which require such high costs has a tremendous effect on our economy at home.

The American economy itself has an enormous impact upon the rest of the world. When our economy is hitting on all eight cylinders, our trade with other countries gives them great assistance. At such times we require huge imports, and the rest of the world is kept busier and more prosperous because of its trade with us. This effect of a high rate of production in the American economy is no doubt of greater importance in international affairs than tariffs and trade treaties.

It is a peculiar fact that the United States, which has poured out aid in such huge amounts, has not been weakened thereby. If anything, we have become stronger. The countries which we had hoped to serengthen by our aid have not become stronger. Instead they have become dependent on us. This attitude of dependence should be brought to an end as quickly as possible for their good and for our good.

In undertaking the burden of aid to other countries, we increased our capacity to produce. As a result of continued high employment and high wages, we also increased our capacity to consume. It is probable that the lack of production during the depression of the 1930's was more costly in a purely economic way than the production that we gave away during the 1940's. In any event, we have proved that we were able to give a great deal of aid to the rest of the world and at the same time raise our standard of living at home. In this area, we have been and are moving along a new course for America.

Future Private Investment Abroad

During the period from 1883 to 1913, the countries of Western Europe—largely those that have received our aid from the Marshall plan—were pouring out for investment in the rest of the world, including the United States, amounts annually equivalent to twenty billion of today's dollars. That is a large figure compared to our average annual assistance of one-third of that amount since 1945. Therefore, when we think of future private investment abroad, we need to think in terms even larger than the best years of our private foreign investment in the past.

We need a new concept to encourage private foreign investment. Our Department of State should adopt an aggressive positive approach toward assisting and encouraging American business to make investments abroad. Whatever legislation is needed to increase our private investment abroad should be speedily enacted in connection with legislation covering both the Mutual Assistance and Technical Assistance programs.

Recently Secretary of State John Foster Dulles told a House Appropriations Subcommittee that he wants eventually to get the government away from giving technical aid to underdeveloped countries (Point Four program). He believes that as much of such aid as possible should be under private and philanthropic direction. In the past, some American oil companies have furnished this sort of aid in the Middle East and have increased the technical competence, the literacy, and the standard of living of the populations whose resources they were developing.

But until new legislations is enacted and greater incentives are provided, there are some areas in need of technical aid which do not in the nature of things offer any inducement to outside capital. Until there is an increase in the flow of American private capital to underdeveloped countries, there will probably continue to be a strong need for the kind of assistance that Point Four was originally designed to give through the Technical Cooperation Administration (TCA), namely technical aid, training and advice—not dollars

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Formosa and the Far East

—to help others to help themselves.

Japan and Trade Relationships in the Far East

The heart of trade relationships in the Far East is Japan.

One of the major policy objectives of the United States in the Pacific is the creation of a stable, democratic Japan, capable and willing to defend itself and contribute to the common defense of the area. The first requirement of a stable society is a vital, livable economy, productive enough to furnish the people with an adequate standard of living and capable of supporting the necessary defense forces.

As a result of the war, Japan lost many of her previously rich sources of raw materials—Manchuria, Formosa, Korea, and Sakhalin. Since the war, the population of Japan has increased by nearly 10 million. With the Communistic conquest of the Chinese Mainland, she has lost additional sources of food and raw materials. As a result of this combination of circumstances, Japan's import requirements, especially for food, have increased substantially, and many basic raw materials which were formerly obtained elsewhere now must be imported from the United States. On the other hand, large markets have been lost, and exports are only about one-third of the prewar volume.

Ever since the war, Japan has had a serious deficit in foreign trade, which has been met by United States aid in one form or another. In 1952, this deficit amounted to $756 million. United States spending in the form of special procurement and personal expenditures of troops and civilians, amounting to over $800 million, fortunately permitted Japan to finance her necessary imports and to add to her foreign exchange reserves.

These special dollar credits cannot be kept up forever. However, Japan is depending on them to cover an enormous and growing trade deficit.

The question now is what can be done to reduce this continuing burden on the United States.

In the short run, we should use these special dollar receipts as contracts placed in Japan to maintain economic stability there. These contract awards should be used for negotiating purposes, and we should agree to spend so much in Japan if that nation will do more things to help herself, such as improving her equipment and techniques and thus decreasing her costs.

In the long run, Japan must maximize its exports. The greatest potential markets for Japan are in south and southeast Asia. One reason why increased economic intercourse between Japan and Free Asia is necessary and one of the principal reasons why Japan's costs are above the world level, is that she now purchases too exclusively from the dollar area. Hence, for the sake of more economical sources of raw materials for Japan as well as widened export markets, the United States should promote increased economic intercourse between Japan and Free Asia.

Integration of Far East Development Programs

All economic development programs in the Free Asian countries should be integrated. They should take account of the interrelation between the Japanese economy and the economies of other Free Asian countries. At the present time, apparently no such comprehensive and integrated planning exists. As an example, both Formosa and Japan are receiving considerable direct or indirect aid from the United States, and they are spending dollars received from this aid to buy from third countries commodities which are available from each other.

United States Should Take a Positive Role

The United States should adopt a more active role in seeking to bring about an integrated program. Appropriate United States agencies and officials could seek to identify potential development projects, bring the parties together, discover what each is willing and able to do for himself, identify the gaps, and seek United States assistance to bridge these gaps from public or private sources. The United States would be acting in the mutual interest of these countries and in the spirit of seeking to promote maximum self-help.

It is apparent that an effective dollar-lending agency will be needed to make these projects move. The United States Export-Import Bank might serve as the dollar-lending agency for any such program.

In order to provide for greater coordination and more intelligent planning of United States programs of economic aid from the point of view of the Far East region as a whole, a mobile coordinating group might be appointed in charge of a highly competent person, located in the Far East and willing to travel from country to country. The responsibilities of this group might be (1) to assure that economic activities receiving U. S. aid give maximum support to military plans and programs in the area, and (2) to effectuate better trade relationships between Far Eastern countries and better planning for economic developments from an area point of view.

Our Trade With the Far East

We as a nation can become a great importing nation. That is one of the most important ways we can achieve international economic equilibrium.

It is our industries, our factories, and our machines which consume raw materials and convert them into finished products. A large part of the raw materials we convert are imported from abroad. The source of a considerable number of our huge imports is the Far East. Some of these are natural rubber, tin and other metals, jute burlaps, manilla fibre, silk, vegetable fats and oils, and wool.

In the last war all of our scrap and salvage campaigns, except that for paper, were necessary because we were shut off from the Far East.

Most goods from the Far East enter this country duty-free because they are complementary and non-competitive with our products. We do import heavily from the Far East and we shall in future years import much more. We need the raw materials of the Far East and we need its expanding markets. We need to help develop the Far Eastern territory working with Japan, so that peace there may be won and the future freedom of the world not lost by losing that enormous area to our opponents.

In my opinion, the United States should arrange a trade pact, like NATO, for the Far East. Then we would have a program for security off both our shoulders—the shoulder of Western Europe to the East across the Atlantic and the shoulder of Japan, the Philippines, Australia and New Zealand across the Pacific to the West.

By developing the economic potential of these lands and their people, we gain the double victory of ending the appeasing of Communist Russia, of appeasing Communist China, and we gain the advantage of building up the Non-Communist nations and encouraging them to join with the West in opposing Communism.

Such a program of assistance and development will cost effort, time, and money. But, with it, we would be building a solid base for the economy of our own nation because we are now deficient in needed raw materials, whereas at the turn of the century we were not deficient. By thus rebuilding, we could insure our own future.

Here is an opportunity for us to build world trade both on a multilateral basis and on a basis largely free. Enlarging our investments and the inflow of raw materials becomes a desirable way to enlarge the **outflow** of dollars. Then we create **third area** markets for the products of western Europe—markets that we could not speedily develop here on a bilateral basis.

Western Europe has now had a substantial recovery and, except for our military assistance, is now probably able to pay its own way. We now need the same gains in the East.

Summary

I have endeavored to point out the potential of Formosa as a possible means of breaking the Communist hold on China. I believe, that while the cold war continues, we should concentrate on improving the military potentiality of the Island and the maintenance of a stable economy there. This means that we should have a more clearly defined policy—both economic and military—for Formosa. Such important policy decisions would make more efficient our American aid on Formosa.

In my opinion, we should do everything possible to see that Formosa, which is actively resisting Communist China, should have the support of the Free Chinese throughout the world. It is said that there are twelve million Free Chinese living in areas other than on Formosa. Two million of them are in Hong Kong. Most of the others are in Southeastern Asia. There are many thousands scattered in other countries, such as Japan and the United States.

What is to happen to these Free Chinese? Will they accept Chiang Kai-shek as their leader and can he rally them so as to successfully lead in the attack on Communist China?

No one can tell. But it does appear that we should support, with all of our influence, the National Chinese Government on Formosa and the other Free Chinese with the ultimate objective of weakening and finally overthrowing Communist control on the China Mainland. The National Free Chinese can play an important role in our struggle against Communism.

The fact that we cannot transform Orientals into people with our characteristics and traditions should be a minor consideration. We must not repeat the old American mistake that our form of democracy is best for all peoples.

I have tried to show the absolute necessity of continuing our economic assistance to the free countries of the Far East which we are trying to align to our point of view. I have emphasized the need for an integrated trade and economic program among and with the Free Asian countries. It would be the height of folly to let that turbulent area become an easy prey to the Soviets.

I have endeavored to show the need of a new concept to encourage private foreign investment. After all, the great dynamic force in western civilization has come through individuals seeking to make a profit by rendering an economic service. It has not come through government. If conditions can be set up so that the magic power of capitalism can be made to work, we can be sure that peoples all over the world will share our knowledge more rapidly even than through a Point Four program.

Conclusion

Within the past several weeks, Russia has made peace overtures. It is my belief that it would be a great mistake if we were foolish enough to accept at face value a complete change of heart on the part of the Russians. We should learn from the painful consequences we experienced when we scrapped our military establishments in 1918 and again in 1945.

The Russian peace offensive is probably designed to destroy the European Defense Community. In addition, the new Russian Government apparently has internal difficulties, not only with the people in Russia but in the Satellite Countries. I my opinion, Communism has reached its peak, both in Europe and in Asia. I believe that the Communistic Orbit is already degenerating.

As long as we and our Allies are gaining in both economic and military strength, time is working in our favor. We can afford to be patient and to take advantage of favorable breaks, and we ourselves can help make the breaks. Communistic control is maintained by coercion and force. It is of such a nature that it cannot satisfy the economic and spiritual needs of millions of people with diverse backgrounds. There will always be some who seek to shake off the shackler.

The complete political, military, and economic task which confronts us now is as important as any we have faced since the end of the shooting in World War II. We should negotiate with Russia, but we should negotiate in our strength and we should keep strengthening our side until we have world peace.

Let us hope that the American people will not indulge in a bit of wishful thinking and put pressure on our Administration to weaken our defense and economic forces during this period of peace negotiations. There should be no relaxation now.

We should all enthusiastically support President Eisenhower in his attempt to end the Korean war and the "cold" war, if the Kremlin has the will to do so; or, if necessary, to wage these wars more effectively until victory can be assured.

Weir Elected by Montreal Stock Exch.

MONTREAL, Canada — J. B. Weir, Oswald & Drinkwater, has been elected Chairman of the Montreal Stock Exchange, succeeding F. G. McArthur, A. E. Ames & Co. Mr. Weir served as Chairman during 1951 and 1952. Jacques Forget, previously Secretary-Treasurer of the Exchange, was elected Vice-Chairman. Mr. Forget is also Chairman of the Canadian Stock Exchange.

G. L. Jennison Named Head of Toronto Exch.

TORONTO, Canada—George L. Jennison, Wills, Bickle & Co., was elected President of the Toronto Stock Exchange, succeeding D'Arcy M. Doherty, Doherty Roadhouse & Co. J. C. L. Allen was elected Vice-President; Gordon S. Osler, Osler & Hammond, Secretary, and J. G. K. Strathy, Treasurer.

Continued from page 3

What About Picketing?

expect and picketing makes little difference. Where the strike is instigated and supported by only a minority violent picketing is likely to be a result.

These things are to say that I would think that more progress would come from a secret and protected method of determining the real wishes of the majority rather than through some law which tries to define rights.

CHESTER D. TRIPP
President, Consolidated Coppermines Corporation, New York City

In my opinion, there are many more serious aspects to the labor problem than picketing. The question is how to control picketing, and not eliminate it. I think the custom of picketing as such is too well established in the American system to approach the matter on the grounds of whether or not it should be eliminated, and, if an effort were made to eliminate it, a good deal of unnecessary antagonism might be generated that would have a bad psychological effect on the American public.

Chester D. Tripp

I think it is fair to assume that orderly picketing is definitely a part of the American scene, and that emphasis should be put on the word orderly. If I am right in this, any change in the law should be to the end of safeguarding orderly picketing and putting a severe penalty on disorderly picketing. If properly handled the picket line can do no harm, but if the general institution is imposed upon it can play into the hands of goons very easily and I therefore think that the unsocial aspects of the problem should be treated and not the problem itself.

ALLAN P. KIRBY
Morristown, New Jersey

Whenever I see a picket line the first thought that crosses my mind is: "the fundamental principles of our constitution are being violated and one of the very liberties that our boys have died for on the battlefields of Europe and Asia is being made to look ridiculous."

Allan P. Kirby

Through the Constitution and the Bill of Rights our forefathers intended, yes clearly specified, that it should be the inalienable right of man to work unmolested as he sees fit. For the past many years the citizens of this country have been deprived of that privilege and, even worse than that, he, his family and his home have been subjected to violances of the worst order.

In my opinion there is only one means of correcting this outrageous evil and that is to change the Taft-Hartley Act making picket lines illegal. This will not, of course, cure the evil but will be a long step in the direction of restoring the rights of citizens of this country to where they were before the days of the New Deal when the most unfair legislation in the history of our country became law, even though the law was in the direct conflict with the Consitution and Bill of Rights.

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)	May 31	§100.6	*99.8	100.3	100.7
Equivalent to—					
Steel ingots and castings (net tons)	May 31	§2,268,000	*2,250,000	2,262,000	2,091,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 16	6,359,200	6,334,550	6,280,500	
Crude runs to stills—daily average (bbls.)	May 16	†6,884,000	6,865,000	6,686,000	
Gasoline output (bbls.)	May 16	22,960,000	23,041,000	22,736,000	
Kerosene output (bbls.)	May 16	2,615,000	2,373,000	2,656,000	
Distillate fuel oil output (bbls.)	May 16	9,244,000	9,465,000	9,561,000	Not Available (Strike)
Residual fuel oil output (bbls.)	May 16	8,666,000	8,772,000	8,701,000	
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 16	155,415,000	157,337,000	157,942,000	
Kerosene (bbls.) at	May 16	21,360,000	20,221,000	19,685,000	
Distillate fuel oil (bbls.) at	May 16	64,941,000	62,964,000	61,738,000	
Residual fuel oil (bbls.) at	May 16	40,258,000	40,070,000	39,855,000	
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 16	779,805	765,411	751,628	754,448
Revenue freight received from connections (no. of cars)	May 16	665,661	681,058	656,899	628,286
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 21	$257,642,000	$282,232,000	$287,981,000	$237,861,000
Private construction	May 21	155,167,000	173,602,000	169,303,000	140,699,000
Public construction	May 21	102,475,000	108,630,000	118,678,000	97,162,000
State and municipal	May 21	88,324,000	86,017,000	92,980,000	59,976,000
Federal	May 21	14,151,000	22,613,000	25,698,000	37,186,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 16	9,125,000	*8,850,000	8,675,000	8,317,000
Pennsylvania anthracite (tons)	May 16	614,000	606,000	439,000	753,000
Beehive coke (tons)	May 16	119,300	*142,600	123,300	109,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 16	106	*128	105	99
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 23	8,012,902	7,959,054	8,015,707	7,146,204
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 21	156	198	159	145
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 19	4.390c	4.390c	4.376c	4.131c
Pig iron (per gross ton)	May 19	$55.26	$55.26	$55.26	$52.77
Scrap steel (per gross ton)	May 19	$38.17	*$38.67	$41.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 20	29.700c	29.700c	29.750c	24.200c
Export refinery at	May 20	29.600c	29.550c	32.125c	27.425c
Straits tin (New York) at	May 20	99.000c	97.000c	95.000c	121.500c
Lead (New York) at	May 20	13.000c	12.500c	12.000c	15.000c
Lead (St. Louis) at	May 20	12.800c	12.300c	11.800c	14.800c
Zinc (East St. Louis) at	May 20	11.000c	11.000c	11.000c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 26	91.79	91.99	93.52	98.62
Average corporate	May 26	103.47	103.47	105.17	110.15
Aaa	May 26	106.92	106.74	108.34	114.46
Aa	May 26	105.34	105.52	106.74	112.93
A	May 26	102.30	102.63	104.66	109.42
Baa	May 26	99.36	99.52	100.98	104.31
Railroad Group	May 26	101.64	101.97	103.13	107.44
Public Utilities Group	May 26	102.63	102.63	104.48	109.60
Industrials Group	May 26	105.86	106.04	107.62	113,50
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 26	3.10	3.09	2.97	2.59
Average corporate	May 26	3.54	3.54	3.44	3.16
Aaa	May 26	3.34	3.35	3.26	2.9_
Aa	May 26	3.43	3.42	3.35	3.01
A	May 26	3.61	3.59	3.47	3.20
Baa	May 26	3.79	3.78	3.69	3.49
Railroad Group	May 26	3.65	3.63	3.56	3.31
Public Utilities Group	May 26	3.59	3.59	3.48	3.19
Industrials Group	May 26	3.40	3.39	3.30	2.98
MOODY'S COMMODITY INDEX	May 26	416.4	416.9	422.5	431.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 16	204,133	291,615	223,515	181,601
Production (tons)	May 16	251,473	240,205	252,496	205,276
Percentage of activity	May 16	96	94	96	83
Unfilled orders (tons) at end of period	May 16	529,536	588,917	523,178	388,381
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 22	106.52	106.51	106.64	109.12
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	May 9	26,428	27,844	39,954	24,686
Number of shares	May 9	746,831	760,886	1,109,442	694,773
Dollar value	May 9	$33,993,771	$35,070,220	$42,645,270	$31,039,809
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 9	21,544	26,658	35,234	21,370
Customers' short sales	May 9	123	266	265	131
Customers' other sales	May 9	21,421	22,392	34,069	21,239
Number of shares—Total sales	May 9	593,701	624,644	1,021,506	575,448
Customers' short sales	May 9	4,700	12,873	9,870	4,545
Customers' other sales	May 9	589,001	611,771	1,011,636	570,903
Dollar value	May 9	$23,865,896	$24,773,301	$38,154,956	$24,463,941
Round-lot sales by dealers—					
Number of shares—Total sales	May 9	180,790	159,260	294,980	157,210
Short sales	May 9	------	------	------	------
Other sales	May 9	180,790	159,260	294,980	157,210
Round-lot purchases by dealers—					
Number of shares	May 9	315,680	309,620	364,500	293,480
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	May 2	353,110	324,230	305,510	216,040
Other sales	May 2	6,461,170	8,380,750	10,070,000	5,670,510
Total sales	May 2	6,814,280	8,704,980	10,375,510	5,886,550
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	May 2	710,330	863,090	1,201,050	620,610
Short sales	May 2	146,590	127,470	131,920	121,150
Other sales	May 2	576,630	737,300	978,440	456,690
Total sales	May 2	723,220	864,770	1,110,360	577,840
Other transactions initiated on the floor—					
Total purchases	May 2	149,060	206,540	349,700	134,100
Short sales	May 2	20,900	15,100	25,100	11,600
Other sales	May 2	159,920	297,440	333,200	150,500
Total sales	May 2	180,820	312,540	358,300	162,100
Other transactions initiated off the floor—					
Total purchases	May 2	271,420	331,149	329,240	228,605
Short sales	May 2	82,560	54,650	35,040	38,390
Other sales	May 2	321,531	458,265	337,700	310,126
Total sales	May 2	404,091	512,915	372,740	348,516
Total round-lot transactions for account of members—					
Total purchases	May 2	1,130,810	1,400,779	1,879,990	983,315
Short sales	May 2	250,050	197,220	192,060	171,140
Other sales	May 2	1,058,081	1,493,005	1,649,340	917,316
Total sales	May 2	1,308,131	1,690,225	1,841,400	1,088,456
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 19	109.9	109.9	109.7	112.0
Farm products	May 19	98.2	98.5	98.6	110.6
Processed foods	May 19	104.4	104.5	104.3	108.7
Meats	May 19	93.0	92.7	91.1	113.9
All commodities other than farm and foods	May 19	113.6	113.4	113.2	113.0

*Revised figure. †Includes 610,000 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
BUSINESS INVENTORIES — DEPT OF COMMERCE NEW SERIES — Month of March (millions of dollars):			
Manufacturing	$43,771	*$43,848	$43,237
Wholesale	10,181	*10,120	10,062
Retail	21,227	*20,973	20,321
Total	$75,179	*$74,941	$73,620
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of March (000's omitted)	$ 1,251,100	$ 181,300	$ 1,202,709
COAL EXPORTS (BUREAU OF MINES)— Month of March:			
U. S. exports of Pennsylvania anthracite (net tons)	140,293	149,239	390,767
To North and Central America (net tons)	140,293	149,236	223,505
To South America (net tons)	------	------	518
To Europe (net tons)	------	------	166,744
To Asia (net tons)	------	3	------
To Africa (net tons)	------	------	------
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES— Estimated short and intermediate term Credit in millions as of March 31:			
Total consumer credit	$25,675	$25,246	$20,609
Instalment credit	19,285	18,863	14,550
Automobile	8,783	8,470	6,090
Other consumer goods	5,162	5,133	4,044
Repair and modernization loans	1,384	1,378	1,079
Personal loans	3,956	3,882	3,337
Noninstalment credit	6,390	6,383	6,059
Single payment loans	2,142	2,079	1,997
Charge accounts	2,575	2,645	2,410
Service credit	1,673	1,659	1,652
CONSUMER PURCHASES OF COMMODITIES—DUN & BRADSTREET, INC.— (1947-1949 = 100)—Month of April	129.6	136.1	123.1
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 AVERAGE = 100—Month of April:			
Sales (average monthly), unadjusted	94	92	*95
Sales (average daily), unadjusted	93	91	94
Sales (average daily), seasonally adjusted	98	100	96
Stocks, unadjusted	119	115	*115
Stocks, seasonally adjusted	114	110	*110
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of February (000's omitted)	30,875,314	31,615,986	28,641,095
Revenue from ultimate customers—month of February	$557,642,500	$569,333,600	$512,746,100
Number of ultimate customers at February	48,603,169	48,528,954	47,035,610
INTERSTATE COMMERCE COMMISSION— Index of Railway Employment at middle of April (1935-39 average = 100)	119.8	119.4	122.5
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of March:			
Death benefits	$182,781,000	$158,593,000	$155,851,000
Matured endowments	40,384,000	37,059,000	41,738,000
Disability payments	9,479,000	8,362,000	8,351,000
Annuity payments	35,193,000	32,946,000	30,826,000
Surrender values	63,630,000	49,000,000	57,169,000
Policy dividends	78,954,000	57,783,000	72,489,000
Total	$410,421,000	$343,743,000	$366,424,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of March (000's omitted):			
Ordinary	$2,158,000	$1,702,000	$1,719,000
Industrial	560,000	513,000	530,000
Group	619,000	402,000	246,000
Total	$3,337,000	$2,617,000	$2,495,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES— Month of March (millions of dollars):			
Inventories:			
Durables	$24,558	*$24,480	$23,401
Nondurables	19,213	*19,368	19,836
Total	$43,771	*$43,848	$43,237
Sales	25,428	*25,360	22,085
METAL OUTPUT (BUREAU OF MINES)— Month of March:			
Mine production of recoverable metals in the United States and Alaska:			
Gold (in fine ounces)	149,980	*132,093	134,568
Lead (in short tons)	30,494	*29,458	33,432
Silver (in fine ounces)	3,125,182	*2,897,074	3,464,793
Zinc (in short tons)	51,019	*49,506	60,904
MONEY IN CIRCULATION—TREASURY DEPT. —As of March 31 (000's omitted)	$29,754,000	$29,793,000	$28,473,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of April:			
Net sales	------	------	------
Net purchases	$36,211,800	$12,913,900	$19,860,300
U. S. GOVT. STATUTORY DEBT LIMITATION —As of April 30 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	264,589,809	264,484,781	258,292,339
Guaranteed obligations not owned by the Treasury	52,372	51,275	44,389
Total gross public debt and guaranteed obligations	$264,642,181	$264,536,057	$258,336,729
Deduct—other outstanding public debt obligations not subject to debt limitation	605,478	607,515	647,852
Grand total outstanding	$264,036,702	$263,928,542	$257,688,877
Balance face amount of obligations, issuable under above authority	10,963,297	11,071,457	17,311,122
ZINC OXIDE (BUREAU OF MINES)—Month of March:			
Production (short tons)	18,363	17,034	14,864
Shipments (short tons)	16,138	14,954	13,814
Stocks at end of month (short tons)	28,234	26,009	31,646

*Revised figure.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Aberdeen Idaho Mining Co., Wallace, Idaho
March 30 (letter of notification) 100,000 shares of non-assessable common stock. **Price** — 15 cents per share. **Proceeds** — To develop mining claims. **Underwriter** — Wallace Brokerage Co., Wallace, Idaho.

ACF-Brill Motors Co., Philadelphia, Pa.
April 20 filed 215,360 shares of common stock (par $2.50) and 44,303.5 common stock subscription warrants. **Price**—At prices not less than 50 cents per share of stock and 25 cents per warrant below current market. **Proceeds**—To Allen & Co., New York. **Underwriter**—None.

Acryvin Corp. of America, Inc.
May 7 (letter of notification) 3,000 shares of common stock. **Price**—At market (about $2 to $2½ per share). **Proceeds**—To Nash S. Eldridge, the selling stockholder. **Office**—464-72 East 99th St., Brooklyn 12, N. Y. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Acteon Gold Mines Ltd., Vancouver, B. C., Can.
April 22 filed 250,000 shares of common stock (no par). **Price**—$1 per share (net to company). **Proceeds** — To purchase equipment and supplies. **Underwriter**—M. H. B. Weikel, Los Angeles, Calif.

Air Reduction Co., Inc., New York
April 24 filed 200,000 shares of common stock (no par) to be offered under "Interests in Employee Stock Investment Plan." **Proceeds**—For general corporate purposes. **Underwriter**—None.

American Automobile Insurance Co. (6/3)
May 13 filed 125,000 shares of capital stock (par $4) to be offered for subscription by stockholders on or about June 2 on the basis of one new share for each four shares held; rights to expire about June 17. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—St. Louis, Mo. **Underwriter**—Kidder, Peabody & Co., New York.

American Gas & Electric Co. (6/9)
May 13 filed 800,000 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). **Bids** — Tentatively scheduled to be received up to 11 a.m. (EDT) on June 9 at 30 Church St., New York 8, N. Y.

American Machinery Corp., Orlando, Fla.
May 18 (letter of notification) $200,000 of 5% convertible notes due 1963. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital. **Business**—Food processing machinery. **Underwriter**—Gordon Graves & Co., New York.

American National Finance Co. (5/29)
May 12 (letter of notification) not exceeding 15,000 shares of common stock (no par) to be offered about May 29, for subscription by common stock holders of record May 15, at the rate of one new share for each three shares held (with an oversubscription privilege); rights to expire June 22. **Price**—$10 per share. **Proceeds**—For working capital. **Office**—47 Fulton St., Newark 2, N. J. **Underwriter**—None.

★ **Applied Science Corp. of Princeton**
May 21 filed $750,000 of 6% guaranteed sinking fund 10-year debenture notes due April 30, 1963, of this company and 75,000 shares of common stock (par one cent) of Bradco, Inc., to be offered in units of $100 of notes and 10 shares of stock. **Price**—$105 per unit. **Proceeds**—For acquisition of stock of two companies, who will borrow the remainder to repay bank loans and for working capital. **Underwriter** — C. K. Pistell & Co., Inc., New York.

Arkansas Fuel Oil Corp., Shreveport, La. (6/2)
May 1 filed $23,000,000 of sinking fund debentures due 1973 to be offered at rate of $10.60 principal amount of debentures in exchange for each share of 6% cumulative preferred stock (par $10) of Arkansas Natural Gas Corp. In lieu thereof, preferred stockholders may elect to take cash. **Proceeds**—To retire said preferred stock. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Equitable Securities Corp.; Smith, Barney & Co.; Blyth & Co., Inc. **Bids** — To be received up to 11 a.m. (EDT) on June 2 at 70 Pine St., New York, N. Y.

● **Arkansas Louisiana Gas Co.**
April 22 filed $35,000,000 of first mortgage bonds due 1978. **Proceeds**—To repay $24,500,000 bank loans and for new construction, etc. **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** — Received on May 25 at 70 Pine St., New York, N. Y., were rejected. The first group mentioned bid 101.4011 for an interest rate of 5% and a syndicate headed by Smith, Barney & Co. bid 100.0788 for an interest rate of 5⅛%.

● **Arkansas Power & Light Co. (6/10)**
May 7 filed $18,000,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — 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.; Equitable Securities Corp. and Central Republic Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly). **Bids**—To be received up to noon (EDT) on June 10 at Two Rector St., New York, N. Y.

Armstrong Rubber Co.
March 31 filed $4,000,000 of 5% convertible subordinated debentures due May 1, 1973. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business**—Manufacturer of tires and tubes. **Underwriter**—Reynolds & Co., New York. **Offering**—Temporarily postponed.

Ashland Oil & Refining Co.
Feb. 27 filed 100,000 shares of cumulative second preferred stock, $1.50 series of 1952 (no par) (convertible prior to June 15, 1962) to be offered for subscription by officers and employees of company and its American and Canadian subsidiaries under a "Restricted Stock Option Plan for Employees." **Price**—Alternate provisions fix the purchase price at 85% and 100%, respectively, of the market value of the stock at the time the options are granted. **Proceeds**—For working capital and used in part for property additions and improvements. **Underwriter**—None.

Athabasca Uranium Mines, Ltd. (formerly American-Canadian Uranium Co., Ltd.)
April 17 filed 500,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For engineering, development and mining expenses. **Underwriter**—George D. Clarke, Ltd., 50 Broad Street, New York.

Atomic Uranium Corp., Denver, Colo.
March 23 (letter of notification) 232,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration. **Office**—Interstate Trust Bldg., Denver, Colo. **Underwriter**—Luckhurst & Co., Inc., New York.

★ **Atomic Uranium Corp., Denver, Colo.**
May 21 (letter of notification) 232,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay debt and for improvement program. **Underwriter**—Luckhurst & Co., Inc., New York.

● **Aviation Equipment Corp. (6/2)**
April 17 filed $1,000,000 of 6% subordinated debentures due 1964; 8,000 shares of 6% preferred stock (par $50); and depositary receipts representing 8,000 shares of common stock (par $1) to be offered in units of a $1,000 debenture, eight shares of preferred stock and depositary receipts representing eight shares of common stock. **Price** $1,550 per unit. **Proceeds**—From sale of securities, together with $4,000,000 to be borrowed from bank, to acquire airplanes and equipment and for working capital. **Underwriter**—Union Securities Corp., New York.

★ **Bangor Hydro-Electric Co., Bangor, Me. (6/16)**
May 26 filed 45,254 shares of common stock (par $15) to be offered for subscription by common stockholders of record June 16 at rate of one new share for each six shares held (with an oversubscription privilege); rights to expire July 1. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter** — Smith, Barney & Co., New York.

Beryllium Corp., Reading, Pa. (6/8)
May 15 filed 88,385 shares of common stock (no par) to be offered for subscription by common stockholders of record June 5 on the basis of one new share for each four shares held; rights will expire on June 18. **Price**—To be supplied by amendment. **Proceeds**—For a modernization and expansion program. **Business**—Produces beryllium alloys. **Underwriter**—Francis I. du Pont & Co.

Blackwood & Nichols Co., Oklahoma City, Okla., and Oil & Gas Co., Madison, N. J.
May 1 filed 359 working interests in oil and gas leases to be offered for sale "as a speculation." **Price**—$1,392.75 per working interest. **Proceeds**—For development of oil and gas leases. **Underwriter**—None.

● **Brandywine Raceway Association, Inc., Wilmington, Del. (6/1-4)**
May 14 filed $1,600,000 of 6% debentures due June 1, 1978 and 160,000 shares of capital stock (par $1) to be offered in units of one $500 debenture and 50 shares of stock. **Price**—$600 per unit. **Proceeds**—To repay debt and for working capital. **Underwriters**—Laird Securities Co., Inc., and Laird, Bissell & Meeds, both of Wilmington, Del.; and Harrison & Co., Philadelphia, Pa.

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.

Brooks & Perkins, Inc., Detroit, Mich.
April 22 (letter of notification) 6,475 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To underwriter, Watling, Lerchen & Co., Detroit, Mich.

Bunday's Water Co., Linesville, Pa.
May 8 (letter of notification) $35,000 of 20-year 5% refunding mortgage bonds dated July 1, 1953. **Price**—At par (in denominations of $100 and $500). **Proceeds**—To redeem first mortgage bonds, to repay bills payable and for capital improvements. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed.

★ **Cal-Alta Oil & Mining Co., Inc., Lovelock, Nev.**
May 21 (letter of notification) 250,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase equipment and for development costs. **Office**—Pershing County Court House, Lovelock, Nev. **Underwriter**—Harry H. Daley, San Francisco, Calif.

Cascade Natural Gas Corp., Seattle, Wash.
March 30 (letter of notification) 60,720 shares of common stock (no par) to be offered in exchange for 11,400 shares of 8% cumulative convertible preferred stock (par $5) and common stock (par $5) of Northwest Cities Gas Co. on a 1-for-5½ basis, plus 25 cents in cash. **Price**—$25 per share. **Proceeds** — To acquire aforementioned stocks. **Underwriter**—Sheridan Bogan Paul & Co., Philadelphia, Pa.

Carolina Casualty Insurance Co., Burlington, N. C.
April 29 (letter of notification) 103,506 shares of class B non-voting common stock (par $1) being offered to stockholders of record April 17 at rate of one new share for each five shares held; rights to expire July 17. **Price**—$2 per share. **Proceeds**—To increase capital and surplus. **Office**—262 Morehead St., Burlington, N. C. **Underwriter**—None.

Central City Milling & Mining Corp.
March 4 (letter of notification) 1,800,000 shares of common stocks. **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.

Cheney Brothers, Manchester, Conn.
May 8 (letter of notification) 23,872 shares of common stock (no par) to be offered for subscription by common stockholders at rate of one new share for each ten now held. **Price**—$11 per share. **Proceeds**—For working capital. **Office**—Hartford Road, Manchester, Conn. **Business**—Manufactures and sells textiles. **Underwriter**—None.

Chicago Bridge & Iron Co.
May 11 (letter of notification) 6,112 shares of common stock (par $20) to be offered for subscription of employees. **Price**—$49.08 per share. **Proceeds**—For general corporate purposes. **Offices**—1305 West 105th St., Chicago, Ill. **Underwriter**—None.

C.I.T. Financial Corp., New York (6/4)
May 15 filed $50,000,000 of debentures. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Dillon, Read & Co. Inc.; Kuhn, Loeb & Co.; and Lehman Brothers; all of New York.

Code Products Corp., Philadelphia, Pa.
April 20 filed (amendment) 500,000 shares of 6% cumulative preferred stock (par $1) and 250,000 shares of common stock (no par) to be offered in units of two shares of preferred stock and one share of common stock. **Price**—$3 per unit. **Proceeds**—For working capital. **Underwriter**—Frank M. Cryan & Co., New York. Statement effective about Feb. 13.

● **Consolidated Gas, Electric Light & Power Co. Of Baltimore (6/9)**
May 8 filed $25,000,000 of first refunding mortgage bonds, series Y, due June 1, 1983. **Proceeds**—To finance expansion program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on June 9 at company's office in Baltimore, Md.

★ **Consolidated Underwriters Investment Corp.**
May 25 (letter of notification) 13,000 shares of class A stock (par $10). **Price**—$20 per share. **Underwriters**—F. D. Keith, S. O. Ryan and A. C. Decker, who will receive 1½ shares of class B common stock for each share of class A stock sold. **Office**—209 Town House, Shreveport, La.

Cooperative Grange League Federation Exchange, Inc.
Feb. 13 filed 50,000 shares of 4% cumulative preferred stock (par $100) and 700,000 shares of common stock (par $5). **Price**—At par. **Proceeds**—For working capital. **Business**—Production of dairy and poultry feeds. **Office**—Ithaca, N. Y. **Underwriter**—None.

Coronado Copper Mines Corp.
Jan. 23 (letter of notification) 299,970 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire leases, for exploration expenses, to repay loans and for working capital. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Charles J. Maggio, Inc., New York. Letter to be withdrawn.

Dakota-Montana Oil Leaseholds, Inc., N. Y.
May 1 (letter of notification) 300,000 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—535 Fifth Ave., New York, N. Y. **Underwriter**—Weber, Millican Co., New York.

Decca Records, Inc. (6/9)
May 19 filed 318,625 shares of capital stock (par 50 cents), to be offered for subscription by stockholders of record June 9 at rate of one new share for each 3¼ shares held; rights to expire on June 25. **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co., both of New York.

Derby Gas & Electric Corp.
May 14 filed 47,039 shares of common stock (no par), to be offered for subscription by common stockholders on a basis of one new share for each six shares held; unsubscribed stock to be offered to officers and employees. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—To be named later. White, Weld & Co. underwrote common stock financing in 1951; Allen & Co. in 1949.

Dixie Fire & Casualty Co., Greer, S. C.
April 9 (letter of notification) 8,000 shares of common stock (par $10) being offered first to stockholders of record April 1 at rate of one share for each 6¼ shares held; rights to expire May 25. **Price**—$25 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **Eagle Super Markets, Inc., Moline, Ill.**
May 21 (letter of notification) 25,000 shares of 6% preferred stock. **Price**—At par ($10 per share). **Proceeds**—To redeem first preferred stock and for working capital. **Office**—2519 Fourth Ave., Moline, Ill. **Underwriter**—Harry Hall Co., Rock Island, Ill.

Edgar Brothers Co., Metuchen, N. J. (6/5)
May 15 filed 100,000 shares of common stock (par $1) to be offered for subscription by stockholders at rate of two-thirds of a share for each share held; not more than 5,000 unsubscribed shares to be offered to certain employees. Stockholders have waived rights to purchase 58,600 shares. **Price**—To stockholders and employees, $7.45 per share; and to public, $8.50 per share. **Proceeds**—To repay $279,500 term loan debt and for working capital. **Underwriter**—D. A. Lomasney & Co., New York.

Electronic Associates, Inc.
May 11 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by stockholders of record June 1 on a 1-for-10 basis; rights to expire July 1. **Price** — $15 per share. **Proceeds** — For working capital. **Office** — Long Branch Ave., Long Branch, N. J. **Underwriter**—None.

Fairway Foods, Inc., St. Paul, Minn.
May 8 filed $1,600,000 first mortgage lien 4½% bonds to mature $40,000 annually from 1955 to 1994, inclusive. **Price**—At 100% of principal amount. **Proceeds**—To construct new warehouse. **Underwriter**—None.

Federal Loan Co. of Pittsfield, Inc.
May 8 (letter of notification) 19,638 shares of 7% cumulative convertible preferred stock (par $11) and 19,638 shares of common stock (par $1) being offered first to holders of participating preferred stock of record May 15, in units of one preferred and one common share; rights to expire on June 10. **Price**—$15 per unit ($15.50 to public). **Proceeds**—For working capital. **Underwriters**—Simon, Strauss & Himme, New York; William N. Pope, Inc., Syracuse, N. Y., and Chace, Whiteside, West & Winslow, Inc., Boston, Mass.

Financial Credit Corp., New York
May 8 (letter of notification) 150,000 shares of 7% cumulative preferred stock. **Price** — At par ($2 per share). **Proceeds** — For working capital. **Underwriter** — E. J. Fountain & Co., Inc., New York, N. Y.

Fischer's Flavor Seal, Inc., Spokane, Wash.
May 19 (letter of notification) 4,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Business**—Makes a formula for processing fresh meat. **Office**—726 Paulsen Bldg., Spokane, Wash. **Underwriter**—R. L. Emacio & Co., Inc., Spokane, Wash.

★ **Florida Mutual Fund, Inc., St. Petersburg, Fla.**
May 25 filed 1,000,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Gerard R. Jobin Investments, Ltd., St. Petersburg, Fla.

★ **Fort Myers Beach Water Works, Inc.**
May 21 (letter of notification) $298,000 of 5½% first mortgage bonds due May 1, 1968 and 2,980 shares of common stock (par $1) to be sold in units of one $1,000 bond and 10 shares of stock. **Price**—$985 per unit. **Proceeds**—For working capital. **Business**—Water distribution system. **Underwriter**—Goodbody & Co., St. Petersburg, Fla.

★ **Friendly Finance, Inc., Paducah, Ky.**
May 21 (letter of notification) 21,400 shares of 6% preferred stock (par $10) and 21,400 shares of class B non-voting common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$12.50 per unit. **Proceeds** — For operating capital. **Office** — 107 South Fourth St., Paducah, Ky. **Underwriter**—W. L. Lyons & Co., Louisville, Ky.

★ **Gas Service Co. (6/29)**
May 22 filed 1,500,000 shares of common stock (par $10). **Proceeds**—To be used by Cities Service Co. to increase investment in Empire Gas & Fuel Co., another subsidiary. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Stone & Webster Securities Corp. and Stern Bros. & Co. (jointly). **Bids** — Tentatively planned for about June 29 or 30.

General Dynamics Corp. (6/2)
May 12 filed 250,000 shares of common stock (par $3). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans made to acquire a block of 400,000 shares of Consolidated Vultee Aircraft Corp. **Underwriter**—Lehman Brothers, New York, to handle U. S. sales of shares, while Greenshields & Co., Inc., will handle Canadian distribution of a portion of the offering.

General Instrument Corp.
May 7 filed 57,800 shares of common stock (par $1), issuable upon exercise of certain options held by certain executives and employees of the company. **Price**—Options exercisable at $9.50 per share. **Proceeds**—For working capital.

● **General Motors Acceptance Corp. (6/11)**
May 20 filed $150,000,000 of five-year debentures due July 1, 1958. **Price** — To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Morgan Stanley & Co., New York.

General Public Utilities Corp. (6/4)
May 6 filed 568,665 shares of common stock (par $5) to be offered for subscription by common stockholders of record June 2 at the rate of one new share for each 15 shares held; rights to expire on June 24. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for investments in subsidiaries. **Underwriter**—None. Merrill Lynch, Pierce, Fenner & Beane will act as clearing agent.

● **Government Employees Corp.**
May 1 (letter of notification) 12,000 shares of common stock (par $5) being offered to common stockholders of record April 28 on the basis of one new share for each five shares held; rights to expire on June 24. **Price**—$15 per share. **Proceeds**—For working capital. **Office**—Government Employees Insurance Bldg., 14th and L Sts., N. W., Washington, D. C. **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.

Gray Manufacturing Co., Hartford, Conn.
May 1 filed 55,313 shares of capital stock (par $5) to be offered for subscription by stockholders on the basis of one new share for each four shares held as of May 28; rights to expire about June 17. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes. **Underwriter**—None.

★ **Gulf Life Insurance Co. (6/17-24)**
May 27 filed 999,216 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—To 40 selling stockholders. **Office**—Jacksonville, Fla. **Underwriters**—Equitable Securities Corp., Nashville, Tenn.; and R. S. Dickson & Co., Charlotte, N. C.

Gulf Power Co. (6/9)
May 8 filed $7,000,000 first mortgage bonds due 1983. **Proceeds**—To repay $4,000,000 of bank loans and for new construction. **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. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on June 9.

★ **Gulf States Utilities Co. (6/23)**
May 20 filed 350,000 shares of common stock (no par). **Proceeds**—To retire bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Stone & Webster Securities

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NEW ISSUE CALENDAR

May 28, 1953
Wisconsin Central Ry. — **Equip. Trust Ctfs.**
(Bids 1 p.m. EDT) $3,930,000

May 29, 1953
American National Finance Co. — **Common**
(Offering to stockholders—no underwriting)
Three States Natural Gas Co. — **Common**
(Lehman Brothers) 500,000 shares

June 1, 1953
Brandywine Raceway Association, Inc. — **Debs. & Stock**
(Laird Securities Co., Inc.; Laird, Bissell & Meeds; and Harrison & Co.) $1,920,000
City Bank & Trust Co. of Reading, Pa. — **Common**
(Offering to stockholders)
Texas Western Oil Co., Inc. — **Common**
(Walter Aronheim) $250,000

June 2, 1953
Arkansas Fuel Oil Corp. — **Debentures**
(Bids 11 a.m. EDT) $23,000,000
Aviation Equipment Corp. — **Debs. & Stock**
(Union Securities Corp.)
General Dynamics Corp. — **Common**
(Lehman Brothers and Greenshields & Co., Inc.) 250,000 shares
Iowa Public Service Co. — **Bonds**
(Bids 11 a.m. EDT) $7,500,000
Oklahoma Natural Gas Co. — **Common**
(Bids 11 a.m. EDT) 235,000 shares
Texas Utilities Co. — **Common**
(Bids 11 a.m. EDT) 350,000 shares

June 3, 1953
American Automobile Insurance Co. — **Common**
(Kidder, Peabody & Co.) 125,000 shares
Public Service Co. of Indiana, Inc. — **Pfd. & Com.**
(Common to be offered to stockholders—underwritten by Blyth & Co. Inc.) 600,000 pfd. & 472,596 common shares

June 4, 1953
C. I. T. Financial Corp. — **Debentures**
(Dillon, Read & Co. Inc.; Kuhn, Loeb & Co.; and Lehman Brothers) $50,000,000
General Public Utilities Corp. — **Common**
(Offering to stockholders—no underwriting)
Rockhill Productions, Inc. — **Common**
(Mortimer B. Burnside & Co., Inc.) $298,000

June 5, 1953
Edgar Brothers Co. — **Common**
(Offering to stockholders—underwritten by D. A. Lomasney & Co.) 100,000 shares

June 8, 1953
Beryllium Corp. — **Common**
(Offering to stockholders—underwritten by Francis I. duPont & Co.) 88,385 shares
Mutual Telephone Co. (Honolulu) — **Common**
(Offering to stockholders—no underwriting) 200,000 shares
Northern Natural Gas Co. — **Debentures**
(Bids 11 a.m. EDT) $40,000,000
Western Light & Telephone Co., Inc. — **Preferred**
(Harris, Hall & Co. Inc.) $1,955,050

June 9, 1953
American Gas & Electric Co. — **Common**
(Bids 11 a.m. EDT) 800,000 shares
Consolidated Gas, Electric Light & Power Co. of Baltimore — **Bonds**
(Bids 11:30 a.m. EDT) $25,000,000
Decca Records, Inc. — **Common**
(Offering to stockholders—underwritten by Reynolds & Co. and Laurence M. Marks & Co.) 318,625 shares
Gulf Power Co. — **Bonds**
(Bids 11 a.m. EDT) $7,000,000
Merchants National Bank of Detroit — **Common**
(To be underwritten) $3,000,000
New Jersey Power & Light Co. — **Bonds**
(Bids 11 a.m. EDT) $5,500,000
San Diego Gas & Electric Co. — **Common**
(Offering to stockholders—Blyth & Co., Inc.) 800,000 shares

June 10, 1953
Arkansas Power & Light Co. — **Bonds**
(Bids noon EDT) $18,000,000
Chesapeake & Ohio Ry. — **Equip. Trust Ctfs.**
(Bids to be invited) $3,000,000
Monterey Oil Co. — **Common**
(Lehman Brothers) 372,273 shares
New England Electric System — **Common**
(Offering to stockholders—bids noon EDT) 828,516 shares

June 11, 1953
General Motors Acceptance Corp. — **Debentures**
(Morgan Stanley & Co.) $150,000,000
Johnston Oil & Gas Co. — **Common**
(Allen & Co.) 500,000 shares
Maryland Casualty Co. — **Common**
(Merrill Lynch, Pierce, Fenner & Beane) 217,000 shares

June 15, 1953
Michigan Consolidated Gas Co. — **Bonds**
(Bids 10:30 a.m. EST) $20,000,000
Washington Gas Light Co. — **Bonds**
(Bids to be invited) $7,000,000

June 16, 1953
Bangor Hydro-Electric Co. — **Common**
(Offering to stockholders—underwritten by Smith, Barney & Co.) 45,254 shares

June 17, 1953
Gulf Life Insurance Co. — **Common**
(Equitable Securities Corp. and R. S. Dickson & Co.) 999,216 shares
Kansas Power & Light Co. — **Common**
(The First Boston Corp.) 170,000 shares
New York, Chicago & St. Louis RR. — **Eq. Tr. Ctfs.**
(Bids noon EDT) $3,150,000

June 19, 1953
Erie Resistor Corp. — **Preferred**
(Fulton, Reid & Co.) $1,250,000

June 22, 1953
Rogers Corp. — **Class B**
(Offering to stockholders—no underwriting)

June 23, 1953
Gulf States Utilities Co. — **Common**
(Bids to be invited) about $6,000,000
New York Telephone Co. — **Bonds**
(Bids 11 a.m. EDT) $35,000,000

June 24, 1953
United Gas Corp. — **Common**
(Offering to stockholders—no underwriting) about $20,000,000

June 29, 1953
Gas Service Co. — **Common**
(Bids to be invited) 1,500,000 shares

June 30, 1953
Pennsylvania Electric Co. — **Bonds**
(Bids 11 a.m. EDT) $12,500,000

July 8, 1953
Commonwealth Edison Co. — **Bonds**
(Bids to be invited) $40,000,000

Aug. 3, 1953
Denver & Rio Grande Western RR. — **Equip. Trust Ctfs.**
(Bids to be invited)

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Corp.; Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. **Bids**—Tentatively expected to be received on June 23.

★ Heat-O-Matic, Inc., Pittsburgh, Pa. (6/8)
May 22 (letter of notification) 20,000 shares of common stock (par $3) to be offered for subscription by present stockholders until June 30, 1953. **Price**—$1 per share to stockholders; $1.50 to public. **Proceeds**—To pay current liabilities and for working capital. **Address**—Joseph F. Carroll, President, 2886 Glenmore Ave., Pittsburgh 16, Pa. **Underwriter**—None.

Household Service, Inc.
April 27 (letter of notification) 1,000 shares of 6% cumulative preferred stock (par $25) and 125 shares of common stock (par $10) being offered in units of eight shares of preferred and one share of common stock. **Price**—$200 per unit. **Proceeds**—To payment of $15,000 notes and purchase additional gas equipment. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

★ Hudson Fund, Inc., New York
May 20 filed 500,000 shares of capital stock. **Price** — At market. **Proceeds**—For investment. **Underwriter**—None.

Hydrocap Eastern, Inc., Philadelphia, Pa.
April 27 filed 500,000 shares of common stock, of which underwriters have agreed to purchase 100,000 shares for public sale and to use "best efforts" to sell remaining shares. **Price**—At par ($1 per share). **Proceeds**—To establish assembly plant and acquire raw materials. **Underwriter**—Barham & Co., Coral Gables, Fla.

Insurance Co. of North America, Phila., Pa.
April 16 filed 30,000 shares of capital stock (par $5) to be offered for sale to employees of company and five affiliated companies. **Underwriter**—None.

International Harvester Co., Chicago, Ill.
April 24 filed 568,000 shares of common stock (no par) to be offered for subscription by certain employees of company and its subsidiaries under Employees' Common Stock Subscription Plan of 1953. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—None.

Interstate Fire & Casualty Co., Bloomington, Ill.
March 26 filed 28,000 shares of capital stock (par $10) to be offered for subscription by stockholders of record April 1 at the rate of 1 3/11 shares for each share held. **Price**—$16.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Iowa Public Service Co. (6/2)
May 1 filed $7,500,000 of first mortgage bonds due June 1, 1983. **Proceeds**—To repay $1,000,000 bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers, Bear, Stearns & Co. and L. F. Rothschild & Co. (jointly); Union Securities Corp. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 2 at 61 Broadway, New York 6, N. Y.

Israel Investors, Inc., New York
April 24 filed 86,960 shares of common stock (no par) to be sold in units of 10 shares each. **Price**—$1,150 per unit payable in cash or no more than $1,000 in State of Israel Independence Issue bonds and the balance in cash. **Proceeds**—To aid economic development of Israel. **Underwriter**—None.

Jewell Oil & Gas Corp., Los Angeles, Calif.
May 11 (letter of notification) 299,975 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For drilling expenses and working capital. **Underwriter**—East Coast Securities Corp., New York.

★ Johnston Oil & Gas Co. (6/11)
May 21 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness and for general corporate purposes. **Underwriter**—Allen & Co., 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.

★ Kansas Power & Light Co. (6/17)
May 25 filed 170,000 shares of common stock (par $8.75) and 50,000 shares of preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., New York.

★ Keefe Co., Washington, D. C.
May 25 (letter of notification) 35,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Office**—1701-16th St., N. W., Washington, D. C. **Business**—Manufacturer of religious articles. **Underwriter**—None.

Keystone Helicopter Corp., Phila., Pa.
April 23 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase helicopter and equipment and for working capital. **Office**—Land Title Bldg., Philadelphia, Pa. **Underwriter**—None.

★ KLB Oil Corp., Wichita Falls, Tex.
May 25 (letter of notification) 120,000 shares of capital stock (par one cent). **Price**—$2.50 per share. **Proceeds**—For working capital, etc. **Office**—Wichita National Bank Bldg., Wichita Falls, Tex. **Underwriter**—Aetna Securities Corp., New York.

★ Link-Belt Co., Chicago, Ill.
May 22 filed 22,793 shares of common stock (par $5) to be offered for subscription by "selected group of officers and employees of company and its subsidiaries." **Price**—$37 per share. **Proceeds**—For working capital. **Underwriter**—None.

Lone Star Sulphur Corp., Wilmington, Del.
May 8 filed 600,000 shares of common stock (par 5 cents) to be offered for subscription by common stockholders of record May 8 on a share-for-share basis "as a speculation." **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—None.

Manheim Water Co., Manheim, Pa.
May 5 (letter of notification) 2,000 shares of common stock to be offered for subscription by common stockholders of record April 14, on basis of two-thirds of a share for each share held; rights to expire on May 26. **Price**—At par ($25 per share). **Proceeds**—To pay, in part, cost of new water filtration plant. **Underwriter**—None.

★ Market Basket, Los Angeles, Calif.
May 25 (letter of notification) 14,886 shares of common stock (par 50 cents). **Price**—$11.50 per share. **Proceeds**—For working capital. **Office** — 6014 S. Eastern Ave., Los Angeles, Calif. **Business**—Groceries. **Underwriter**—None.

★ Maryland Casualty Co., Baltimore, Md. (6/11)
May 22 filed 217,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To be applied towards payment of the redemption price of unconverted shares of $1.05 convertible preferred stock (190,380 shares as of May 15, 1953), which have been called for redemption in July. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

Mechanical Handling Systems, Inc.
March 31 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To purchase common stock of The Louden Machinery Co. **Business**—Manufacture and sale of conveyors in industrial and commercial applications. **Office**—Detroit, Mich. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Indefinitely postponed.

★ Merchants Credit, Inc., Washington, D. C.
May 22 (letter of notification) 450 shares of 6% cumulative preferred stock (par $100) and 450 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$101 per unit. **Proceeds**—For working capital. **Office**—513 11th St., N. W., Washington, D. C. **Underwriter**—None.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

Michigan Consolidated Gas Co. (6/15)
May 15 filed $20,000,000 of first mortgage bonds due 1978. **Proceeds**—From sale of bonds, plus proceeds from sale of 215,000 shares of common stock (par $14) to American Natural Gas Co., parent, for $3,010,000, to be used to repay bank loans and for construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc., and Union Securities Corp. (jointly). **Bids**—To be received up to 10:30 a.m. (EDT) on June 15 at 415 Clifford St., Detroit, Mich.

★ Mid American Oil & Gas Co., Chicago, Ill.
May 22 (letter of notification) 475,000 shares of common stock (par 10 cents). **Price**—At the market. **Proceeds**—To G. W. Snyder and G. S. Olmstead, the two selling stockholders. **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. Doehler Co., Jersey City, N. J. Letter withdrawn May 25.

★ Monterey Oil Co., Los Angeles, Calif. (6/10)
May 21 filed 372,273 shares of common stock (par $1), of which 110,000 shares are for account of company and 262,273 for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriter**—Lehman Brothers, New York.

● Moore (William S.), Inc., Newark, Ohio
May 12 (letter of notification) 52,867 shares of common stock (par $1) being offered for subscription by common stockholders of record May 22 on a 2-for-5 basis; rights expire June 1. **Price**—$5.50 per share. **Proceeds**—To retire 6% convertible debentures. **Business**—Retail store. **Underwriter**—Fulton, Reid & Co., Cleveland, Ohio.

Mount Holly (N. J.) Water Co.
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.

Mutual Telephone Co., Honolulu (6/8)
May 18 filed 200,000 shares of common stock to be offered for subscription by common stockholders of record June 1, 1953 and to employees. **Price**—At par ($10 per share). **Proceeds**—For expansion costs. **Underwriter**—None.

National Credit Card, Inc., Portland, Ore.
May 11 (letter of notification) 1,400 shares of 6% noncumulative preferred stock (par $100) and 1,400 shares of common stock (no par) to be sold in units of one share of each class of stock. **Price**—$101 per unit. **Proceeds** — For working capital. **Business**—Credit service. **Office**—Times Building, Portland 4, Ore. **Underwriter**—None.

New England Electric System (6/10)
May 4 filed 828,516 additional shares of common stock (par $1) to be offered for subscription by common stockholders of record June 11 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on or about June 25. Warrants are expected to be mailed on June 11. **Price**—To be set by company on June 8. **Proceeds**—For expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to noon (EDT) on June 10 at 441 Stuart St., Boston 16, Mass.

★ New Jersey Casket Co., Hoboken, N. J.
May 25 (letter of notification) $50,000 of 10-year 7% debenture bonds dated June 1, 1953. **Price**—At par (in denominations of $500 each). **Proceeds** — For working capital. **Office**—1330 Clinton St., Hoboken, N. J. **Underwriter**—None.

New Jersey Power & Light Co. (6/9)
May 7 filed $5,500,000 of first mortgage bonds due 1983. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; 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. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on June 9.

★ New York Telephone Co., New York (6/23)
May 22 filed $35,000,000 of refunding mortgage bonds, series G, due July 1, 1984. **Proceeds** — To repay bank loans. **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 up to 11 a.m. (EDT) 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).

North American Peat Moss Co., Inc. (N. Y.)
April 10 filed 500,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — To purchase equipment and for working capital. **Underwriter**—R. A. Keppler & Co., Inc., New York.

● Northern Natural Gas Co. (6/8)
May 7 filed $40,000,000 sinking fund debentures due 1973. **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). **Bids**—Expected to be received up to 11 a.m. (EDT) on June 8.

● Northlands Oils Ltd., Canada
Nov. 21 filed 1,000,000 shares of capital stock (par 20¢ — Canadian) and subscription warrants for 600,000 shares, which statement was amended May 20 to 200,000 shares and warrants to purchase 200,000 shares to be offered in units of one share of stock and one warrant. **Price**—75 cents per unit. **Proceeds**—For drilling of additional wells and to purchase producing wells. **Underwriter**—M. S. Gerber, Inc., New York.

Noryn Mines Ltd., Hull, Quebec, Canada
April 23 filed 500,000 shares of common stock (par $1). **Price**—50 cents per share. **Proceeds**—To repay loans and for other corporate purposes. **Underwriter**—None.

Oklahoma Natural Gas Co. (6/2)
May 7 filed 235,000 shares of common stock (par $7.50). **Proceeds**—To repay, in part, bank loans aggregating $6,000,000 incurred in connection with the company's construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Shields & Co.; Lehman Brothers and Harriman Ripley & Co., Inc. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on June 2 at 90 Broad st., New York, N. Y.

★ Oregon Fibre Products, Inc., Pilot Rock, Ore.
May 26 (letter of notification) $292,200 of sinking fund debentures due Jan. 1, 1968 and 5,844 shares of common stock (par $1) to be offered in units of $100 of debentures and two shares of stock. **Price**—$102 per unit. **Proceeds**—For working capital. **Underwriter**—None.

★ Otis Oil & Gas Corp., Denver, Colo.
May 21 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For repayment of debt and for working capital. **Underwriter**—Hunter Securities Corp., New York.

Packaging Materials Corp., Providence, R. I.
April 29 (letter of notification) $160,000 of 5% debentures due Dec. 15, 1960, and 2,000 shares of common stock (no par) to be offered in units of an $80 debenture and one share of common stock. **Price**—$100 per unit. **Proceeds** — For purchase of machinery. **Office** — 607 Hospital Trust Bldg., Providence, R. I. **Underwriter**—None.

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.

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.

Pennsylvania Power & Light Co.
May 1 filed 743,496 shares of common stock (no par), 21,752 shares of 4.40% preferred stock (par $100), 53,248 shares of 3.35% preferred stock (par $100) and 39,936 shares of 4½% preferred stock (par $100) to be offered in exchange for all the outstanding stock of Scranton Electric Co. **Underwriter**—None.

Perfect-Line Manufacturing Corp.
May 6 (letter of notification) 180,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For expansion. **Business** — Manufacturing ventilating equipment, specialty wiring devices and lighting equipment. **Address** — c/o Alfred Robbins, President 83-06 Victor Ave., Elmhurst, L. I., N. Y. **Underwriter**—None.

Peruvian Oil Concessions Co., Inc.
Jan. 16 filed 9,000,000 shares of common stock (par $1) (amended April 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.

Philadelphia Electric Co. (6/2)
April 10 filed 100,000 shares of common stock (no par) to be offered for subscription by employees of company and its subsidiaries. **Price**—From 85% to 95% of the then current market price. **Proceeds**—For construction program. **Underwriter**—None.

● **Phillips Petroleum Co.**
May 4 filed $162,098,500 of 3.70% 30-year sinking fund debentures due June 1, 1983 (convertible into common stock for 10 years), being offered for subscription by common stockholders at rate of $100 of debentures for each nine shares of stock held of record May 26; rights to expire on June 9. **Price**—At principal amount. **Proceeds**—To repay $75,000,000 of bank debt and for capital expenditures and other corporate purposes. **Underwriter**—The First Boston Corp., New York.

★ **Pittston Co., New York**
May 20 filed 50,000 shares of 5½% convertible preferred stock to be offered for subscription by common stockholders on the basis of one preferred share for each 13 shares of common stock held (with an oversubscription privilege). **Price**—At par ($100 per share). **Proceeds**—For working capital. **Business**—Natural gas. **Underwriter**—None.

● **Potomac Electric Power Co.**
April 30 filed 852,840 shares of common stock (par $10) being offered for subscription by common stockholders on the basis of one new share for each five shares held of record May 27; rights to expire on June 10. **Price**—$16 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Dillon, Read & Co., Inc., New York; and Johnston, Lemon & Co., Washington, D. C.

★ **Public Finance Service, Inc., Phila., Pa.**
May 19 (letter of notification) $250,000 of 6% cumulative debentures, 1950 series. **Price**—At par (in denominations of $100 each). **Proceeds**—For working capital. **Office**—18 West Chester Ave., Philadelphia, Pa. **Underwriter**—None.

Public Service Co. of Indiana, Inc. (6/3)
May 13 filed 600,000 shares of cumulative preferred stock (par $25) and 472,596 shares of common stock (no par), the latter to be offered for subscription by common stockholders of record June 2 on a 1-for-8 basis; rights to expire on June 17. **Price**—To be supplied by amendment. **Proceeds**—For construction costs. **Underwriters**—Blyth & Co., Inc., New York and San Francisco.

★ **Quinby Plan, Rochester, N. Y.**
May 18 filed $1,500,000 of Plans for the Accumulation of Individual Stocks. **Underwriter**—None.

Rochester Gas & Electric Corp.
May 8 filed 175,000 shares of common stock (no par) to be offered for subscription by common stockholders of record May 28 at the rate of one new share for each seven shares held. Rights will expire on June 12. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., New York.

Rockhill Productions, Inc. (6/4)
May 12 (letter of notification) 149,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—18 East 50th Street, New York 22, N. Y. **Business**—Producer of package television and radio shows. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

Rogers Corp., Manchester, Conn. (6/22)
May 11 (letter of notification) 10,909 shares of class B common stock to be offered for subscription by holders of class B stock at rate of one new share for each two shares held on June 22. **Price**—$20 per share. **Proceeds**—To retire $100,000 bank loan and for working capital. **Business**—Manufacture of plastic materials. **Underwriter**—None.

● **Saint Anne's Oil Production Co.**
April 23 filed 270,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris and H. M. Byllesby & Co., Inc., both of Chicago, Ill. Amendment to be filed on June 3.

★ **San Diego Gas & Electric Co. (6/9)**
May 20 filed 800,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record June 9 at rate of one new share for each three shares held; employees to be entitled to purchase unsubscribed shares. **Price**—To be supplied by amendment. **Proceeds** — To retire bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Schlafly Nolan Oil Co., Inc.
March 25 filed 150,000 shares of common stock (par 25 cents). **Price**—$4 per share. **Proceeds**—To purchase and sell leaseholdes, royalties and producing properties, to prospect for oil and gas and to develop and operate producing properties. **Office**—Mt. Vernon, Ill. **Underwriter** — L. H. Rothchild & Co., New York. **Offering** — Indefinitely postponed.

Selevision, Inc. (Del.)
May 14 (letter of notification) 235,000 shares of convertible class A stock (par $1). **Price**—$1.25 per share. **Proceeds**—To establish, equip and operate ten Selevision auction offices. **Underwriter**—Whitney-Phoenix Co., Inc., New York.

★ **Sinclair Oil Corp.**
May 22 filed $10,500,000 of participations in employees savings plan, together with 210,000 shares of no par common stock of corporation issuable under plan.

Skiatron Electronics & Television Corp.
May 13 (letter of notification) 10,000 shares of common stock (par 10 cents). **Price**—At market (about $2 to $2.37½ per share), to net company $1.90 per share. **Proceeds** — To carry on the public demonstration of "Subscriber-Vision." **Underwriter**—Wright, Wood & Co., Philadelphia, Pa.

★ **Socony-Vacuum Oil Co., Inc.**
May 19 filed $15,000,000 of interest in company's employees' savings plan and 375,000 shares of capital stock purchaseable under the plan.

Soil-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.
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**—Received on May 5 but rejected.

Southern Natural Gas Co.
April 20 filed $34,220,100 of 4½% convertible sinking fund debentures due 1973 being offered for subscription by common stockholders of record May 20 at rate of $100 of debentures for each 10 shares of stock held; rights to expire on June 8. **Price**—At par (flat). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Halsey, Stuart & Co. Inc.

★ **Square Deal Market Co., Inc., Washington, D. C.**
May 22 (letter of notification) 37,000 shares of preferred stock. **Price**—At par ($7 per share). **Proceeds**—To open new store. **Business**—Operates "Food Fair" stores in the Washington, D. C., area. **Office**—2060 West Virginia Ave., Washington, D. C. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

★ **Standard Factors Corp., New York**
May 18 (letter of notification) $250,000 of 5% subordinated debentures due Dec. 31, 1960 and 15,000 shares of common stock (par $1). Each purchaser of a $500 debenture may purchase 30 shares of stock. **Price**—$925 per $1,000 debenture and $4 per share for stock. **Proceeds**—For working capital. **Office** — 270 Madison Ave., New York 16, N. Y. **Underwriter**—None.

★ **Stylon Corp., Milford, Mass.**
May 22 (letter of notification) 32,043 shares of common stock. **Price**—At the market. **Proceeds**—To Joseph Maas, Newton, Mass. **Business** — Manufactures ceramic tile. **Underwriter**—F. D. Gearhart, Jr., New York.

Sun Oil Co., Philadelphia, Pa.
April 27 filed 14,000 memberships in the "Employees' Stock Purchase Plan of Sun Oil Co. and Subsidiaries" and 122,700 shares of common stock (no par) to be reserved for sale to trustees of the plan during July, 1953; also 139,762 additional shares of common stock "for possible public sale by selling stockholders during the period of July 1, 1953 to June 30, 1954." **Underwriter**—None.

★ **Sunrise Mining Co., Inc., Seattle, Wash.**
May 21 (letter of notification) 500,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For working capital, etc. **Office**—416 American Bldg., Seattle, Wash. **Underwriter**—None.

Tennessee Gas Transmission Co.
April 27 filed $1,200,000 of "contributions to be made by employees of company to the thrift plan." **Underwriter**—None.

Texas Illinois Natural Gas Pipeline Co.
May 6 filed 927,273 shares of common stock (par $1) to be offered for subscription by common stockholders. **Price**—To be supplied by amendment. **Proceeds**—For new construction and working capital. **Underwriter**—None. Peoples Gas Light & Coke Co., has agreed to take all unsubscribed stock.

Texas Utilities Co. (6/2)
April 30 filed 350,000 shares of common stock (no par). **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**—To be received up to 11 a.m. (EDT) on June 2 at Two Rector St., New York, N. Y.

Texas Western Oil Co. (6/1)
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.

● **Three States Natural Gas Co. (5/29)**
May 6 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank debt and for general corporate purposes. **Office** — Dallas, Tex. **Underwriter** — Lehman Brothers, New York.

Union Carbide & Carbon Corp., New York
May 5 filed 417,717 shares of capital stock (no par) to be offered to certain officers and employees of the company under its stock purchase plan.

United Mining & Leasing Corp. Central City, Colo.
May 4 (letter of notification) 115,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining equipment. **Underwriter** — R. L. Hughes & Co., Denver, Colo.

Uranium Mines of America, Inc.
May 14 (letter of notification) 1,950,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—To pay debt and for working capital. **Office**—307 Darling Bldg., Salt Lake City, Utah. **Former Name**—California Tungsten Corp. **Underwriter**—Tellier & Co., New York.

Vault Co. of America, Davenport, Iowa
March 2 (letter of notification) 10,000 shares of common stock. **Price** — $10 per share. **Proceeds** — For working capital. **Underwriter**—A. J. Boldt & Co., Davenport, Ia.

Walburt Oils Ltd., Toronto, Canada
April 24 filed 660,000 shares of common stock (par $1) of which 550,000 shares will be offered in the United States and 110,000 shares in Canada. **Price** — $1.02 per share in U. S. and $1 per share in Canada. **Proceeds**—For general corporate purposes. **Underwriier**—Sidney S. Walcott, President of company, Buffalo, N. Y.

★ **Washington Gas Light Co. (6/15)**
May 20 filed $7,000,000 of refunding mortgage bonds due 1978. **Proceeds**—For new construction. **Underwriters**—To 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 on June 15.

Washington Water Power Co.
May 7 filed 1,088,940 shares of $1.28 cumulative convertible preferred stock (par $25) and 1,088,939 shares of common stock (no par) to be issued in connection with the proposed merger into company of Puget Sound Power & Light Co. on the basis of one-half share of preferred and one-half share of common for each Puget Sound common share to holders who do not elect to receive cash at the rate of $27 per share. **Underwriter**—None.

● **West Coast Pipe Line Co., Dallas, Tex.**
Nov. 20 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price** — To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sale of $55,000,000 first mortgage bonds, to be used to build a 1,030 mile crude oil pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

● **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**—Postponed indefinitely.

★ **West Penn Power Co.**
May 20 filed an unspecified number of shares of common stock (no par), sufficient to raise approximately $7,000,000, to be offered for subscription by common stockholders (other than West Penn Electric Co., parent).

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Price—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—None, the parent to buy any unsubscribed shares.

Western Homestead Oils, Ltd., Calgary, Alta, Canada
April 24 filed 1,000,000 shares of capital stock (par 10 cents). **Price**—$1.30 per share for first 400,000 shares. **Proceeds**—For general corporate purposes. **Underwriter**—Owen Investors Ltd., of Toronto, Canada, through E. H. Pooler & Co., also of Toronto, only in Canada. Statement effective May 21.

● **Western Light & Telephone Co., Inc. (6/8)**
May 18 filed 78,202 shares of cumulative convertible preferred stock (par $25) to be offered for subscription by common stockholders on the basis of one new share for each five common shares held on or about June 5; rights to expire on June 19. **Price**—To be supplied by amendment. **Proceeds**—From sale of preferred stock, together with funds to be received from sale of $3,000,000 first mortgage bonds, to reduce bank loans and for new construction. **Underwriter**—Harris, Hall & Co., Inc., Chicago, Ill.

Western Safflower Corp.
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.

Weston Electrical Instrument Corp.
April 30 filed 107,055 shares of common stock (par $12.50) being offered to common stockholders of record May 19 on the basis of one new share for each three shares held; rights to expire on June 2. **Price**—$18 per share. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

★ **York County Gas Co. (6/24)**
May 25 (letter of notification) 6,000 shares of common stock (par $20) to be offered for subscription by common stockholders of record June 17 at rate of one new share for each 12 shares owned (with an oversubscription privilege); rights to expire July 14. **Price**—$40 per share. **Proceeds**—From sale of stock, together with $600,000 to be received from sale of first mortgage bonds to repay $600,000 bank loans and for new construction. **Office**—127 West Market St., York, Pa. **Underwriter**—None.

Prospective Offerings

Allis-Chalmers Mfg. Co.
May 6 stockholders approved a proposal to increase the 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.

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 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.

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 voted May 5 to increase the authorized debt from $75,000,000 to $150,000,000. **Proceeds**—To be used to help pay for a $100,000,000 construction program for 1953. **Underwriters**—Smith, Barney & Co. may head group.

● **Bangor & Aroostook RR.**
One bid was received by the RFC at Room 1157, 811 Vermont Ave., N. W., Washington, D. C., prior to 5:30 p.m. (EDT) on May 25 for the purchase from it of $1,675,000 of collateral trust 4% bonds due July 1, 1961. It was refused, however, as it was too low. It is possible that the bonds may be offered again in the coming months.

Blue Crown Petroleum Co., Ltd.
May 12 it was reported company plans to issue and sell 300,000 shares of common stock. **Price**—95 cents per share. **Underwriters**—Van Alstyne, Noel & Co., New York, and Walston & Co., San Francisco, Calif. **Offering**—Expected in June.

Boston Edison Co., Boston, Mass.
April 27 it was announced stockholders will vote June 2 on approving a proposal to offer 246,866 shares of capital stock (par $25) to stockholders on the basis of one new share for each 10 shares held (with an oversubscription privilege). **Proceeds** — For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Smith, Barney & Co.; Harriman Ripley & Co., Inc.

Central Power & Light Co.
March 2 it was reported company may issue and sell 80,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

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 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.

★ **Chesapeake & Ohio Ry. (6/10)**
Bids are expected to be received by the company on June 10 for the purchase from it of $3,000,000 equipment trust certificates due in 15 years. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler.

Chesapeake & Potomac Telephone Co. of Baltimore
May 1 company petitioned the Maryland P. S. Commission for authority to issue and sell $15,000,000 of debentures. **Proceeds**—From sale of debentures, plus $25,000,000 to be received from sale of common stock to American Telephone & Telegraph Co., parent, for repayment of loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; The First Boston Corp.; Harriman Ripley Co. Inc. and Alex. Brown & Son (jointly). **Bids**—Expected to be received in July.

Chicago, St. Paul, Minneapolis & Omaha Ry.
May 19 company applied to the ICC for authority to issue and sell $1,170,000 equipment trust certificates to mature in 15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.

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.

City Bank & Trust Co. of Reading, Pa. (6/1)
May 6, J. D. Heckman, President, announced that shareholders of record May 15 will have warrants mailed to them on or about June 1 entitling them to subscribe on or before July 15 for 15,000 additional shares of capital stock (par $10) on the basis of one new share for each two shares held. No fractional shares will be issued. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

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. (7/8)**
May 26 Willis Gale, Chairman, announced company planned to issue and sell an issue of $40,000,000 first mortgage bonds, due 1983. **Proceeds**—To help pay cost of new construction, which, it is estimated, will total approximately $500,000,000 during the four years through 1956, of which about $280,000,000 will be obtained from the sale of new securities. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers, and American Securities Corp. (jointly); The First Boston Corp.; Glore, Forgan & Co. **Bids**—Tentatively scheduled to be received about July 8. **Registration**—Expected on June 11.

Delaware Power & Light Co.
April 21 stockholders approved a proposal to increase the authorized preferred stock from 200,000 shares to 300,000 shares (par $100). Probable bidders for any new preferred stock financing may include Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co. Stuart Cooper, President, said it is possible that common stock may be sold later in the year.

Denver & Rio Grande Western RR. (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.

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 authorized the new debentures. **Underwriter**—None.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

El Paso Natural Gas Co.
March 25 it was announced company plans to place privately $120,000,000 of first mortgage bonds and sell publicly 200,000 shares of preferred stock and $25,000,000 debentures. **Underwriter**—White, Weld & Co., N. Y.

★ **Erie Resistor Corp. (6/19)**
May 19 it was reported company plans to issue and sell $1,250,000 convertible preferred stock. **Price** — To be named later. **Proceeds** — For expansion. **Underwriter** — Fulton, Reid & Co., Cleveland, O. **Registration**—Expected on May 29.

First Railroad & Banking Co. of Georgia
May 4 it was announced that this new company will offer stockholders of Georgia Railroad & Banking Co. in exchange for each share held, one share of the new company's stock, the right to subscribe within 30 days for 13 additional shares at $4.10 per share and a $250 collateral trust 5% bond due May 1, 1990; the offer to become effective upon acceptance by 95% of the outstanding stock. An additional 210,000 of the new shares would be purchased by the underwriters, plus any of the unsubscribed shares. **Proceeds**—To retire $2,190,000 of Georgia Railroad & Banking Co. debentures held by an insurance firm. **Underwriters**—Johnson, Lane, Space & Co. and Joseph Walker & Sons.

General Telephone Co. of Kentucky
April 27 it was reported early registration is expected of 50,000 shares of cumulative preferred stock (par $50). **Underwriters** — Probably Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

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.

Greenwich Gas Co.
May 7 the Connecticut P. U. Commission authorized company to issue and sell $200,000 of first mortgage bonds and $483,000 par value of common stock (the latter first to stockholders). **Proceeds**—To retire bank loans. **Underwriter**—F. L. Putman & Co., Boston, Mass.

Gulf Interstate Gas Co., Houston, Tex.
May 11 it was reported that company may offer for subscription to stockholders of Panhandle Eastern Pipe Line Co. a total of $35,000,000 in equity securities (probably in units of preferred and common stock). **Proceeds**—For new construction. **Underwriter**—May be Carl M. Loeb, Rhoades & Co., New York.

Industrial National Bank of Detroit
May 15 it was announced bank plans to offer to its stockholders 25,000 additional shares of capital stock (par $10) on a 1-for-8 basis. **Price**—$30 per share. **Meeting**—Stockholders will vote May 29 on increasing authorized capitalization.

Iowa Electric Light & Power Co.
April 13 it was reported company may sell in June some common and preferred stock and/or debentures. **Underwriters** — For stock: The First Boston Corp. and G. H. Walker & Co., both of New York. Previous debt financing was done privately.

★ **Iowa-Illinois Gas & Electric Co.**
May 15 it was reported company may issue and sell early in 1954 about $6,000,000 aggregate amount of common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane, Harriman Ripley & Co. Inc.

Kansas-Nebraska Natural Gas Co., Inc.
May 12 it was reported company may issue and sell about $4,750,000 first mortgage bonds. **Proceeds**—To repay $800,000 bank loans and for new construction. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

Long Island Lighting Co.
April 21 it was announced that company this Fall plans to issue and sell in the neighborhood of 600,000 shares of new common stock to be followed in the latter part of the year by an issue of about $25,000,000 of first mortgage bonds (this is in addition to 100,000 shares of series C preferred stock, par $100, offered publicly on May 7). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — (1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.,

Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

Louisiana Power & Light Co.
March 20 it was announced company may issue and sell in June $12,000,000 of first mortgage bonds. **Underwriters** — To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and A. C. Allyn & Co., Inc. (jointly); Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Proceeds** — To help finance a new bottling plant. **Underwriter**—None.

Menabi Exploration Co., Inc., Houston, Tex.
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.

★ **Merchants National Bank of Detroit (Mich.) (6/9)**
May 26 it was announced company plans to offer to stockholders of record June 9 a total of 60,000 shares of capital stock (par $20) on a one-for-five basis; rights to expire June 23. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—To be named.

Minneapolis-Honeywell Regulator Co.
April 28 stockholders approved a proposal increasing authorized common stock (par $1.50) from 3,440,000 to 3,950,000 shares and the preference stock (par $100) from 160,000 to 210,000 shares. Immediate issuance of increased stock not planned. **Underwriter**—Probably Union Securities Corp., New York.

Mississippi Power & Light Co.
March 20, E. H. Dixon, President of Middle South Utilities, Inc., announced that refunding of Mississippi Power & Light Co.'s $6 preferred stock (no par), of which 44,476 shares are now outstanding, may be considered. This issue is callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and Equitable Securities Corp. (jointly; W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

● **Mobile Gas Service Corp.**
March 6, Maurice White, President, announced that, after proposed two-for-one split-up to be voted upon June 2 the company will offer to its stockholders 40,000 shares of additional common stock on a one-for-five basis. **Proceeds** — For construction program. **Underwriters** — To be named later.

Monongahela Power Co.
Dec 11 it was announced company plans issuance and sale near the middle of 1953 of $10,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., W. C. Langley & Co. and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Glore, Forgan & Co.; Lehman Brothers; Equitable Securities Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.

Montana-Dakota Utilities Co.
May 2 it was announced company plans to issue and sell in 1953 approximately $8,000,000 of first mortgage bonds. **Proceeds**—For 1953 construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly).

● **New York, Chicago & St. Louis RR. (6/17)**
Bids are expected to be received by the company up to noon (EDT) on June 17 for the purchase from it of $3,150,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler.

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 in February and $5,000,000 of 3¾% debentures due 1991 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.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-miles 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.

Ormond Corp., Albuquerque, N. M.
March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. **Office**—5003 Central Avenue, N. E., Albuquerque. N. M.

Pacific Northwest Pipeline Corp.
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares.

● **Pennsylvania Electric Co. (6/30)**
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 30. **Registration**—Expected today (May 28).

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. Financing may be done privately. **Underwriters** — Stone & Webster Securities Corp. and Glore, Forgan & Co., both of New York. Of the stock of this company, 51% is now owned by Northern Natural Gas Co.

Public Service Co. of 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. **Offering**—Postponed.

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.

Rochester Gas & Electric Corp.
May 3 company announced that, in addition to the proceeds from the sale about May 28 of 175,000 shares of new common stock to stockholders (registered May 8 with the SEC), approximately $27,000,000 will be required from additional financing in the future in connection with its $35,300,000 construction program planned for 1953 and 1954.

Shield Chemical Corp., Verona, N. J.
March 26 it was reported company plans to issue and sell about $300,000 of common stock. **Proceeds**—For working capital. **Underwriter**—Miller Securities Co., New York. **Offering**—Indefinitely postponed.

Southern California Edison Co.
April 23, William C. Mullendore, President, stated that company is considering selling sufficient securities later in the year to raise approximately $30,000,000. **Proceeds**—For 1953 construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. Probable bidders for preferred: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly).

Southwestern Gas & Electric Co.
April 29 it was announced company later this year will issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters** — May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co and Paine, Webber, Jackson & Curtis (jointly); Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

Strategic Materials Corp., Buffalo, N. Y.
April 14 it was reported company plans to offer for subscription by its common stockholders about $1,000,000 of additional common stock. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York.

Sunray Oil Corp.
May 13 company disclosed it is planning to issue and sell securities sufficient to raise several millions of dollars of capital to finance two new manufacturing division projects in each of which it would own a 50% interest. **Underwriter**—Eastman, Dillon & Co., New York.

Toledo Edison Co.
April 21 stockholders approved a proposal to increase the authorized common stock from 5,000,000 to 7,500,000 shares and to amend the articles of incorporation so as to provide that the limit on the amount of unsecured indebtdeness 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.

Transcontinental Gas Pipe Line Corp.
May 4 it was reported company may issue some convertible preferred stock before the Fall. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., both of New York .

● **United Gas Corp. (6/24)**
May 1 it was announced company plans to issue and sell to common stockholders about $20,000,000 of common stock on a 1-for-15 basis (with an oversubscription privilege). **Proceeds**—For 1953 construction program. **Underwriter** — None. **Offering** — Tentatively scheduled for around June 24 to Aug. 3.

● **United Gas Corp.**
May 1 it was announced company (in addition to above-mentioned proposed stock offering) plans to issue and sell about $30,000,000 of debentures. **Proceeds**—For 1953 construction program. **Underwriters**—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). **Offering**—Expected later in 1953.

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 Water Power Co.
April 10 it was announced directors have approved the issuance and sale in May of $10,000,000 of first mortgage bonds and $18,000,000 of debentures. **Proceeds**—To repay $24,000,000 of bank loans and to redeem 35,000 shares of $6 preferred stock at $110 per share. **Underwriters**.—If competitive, bidders may include: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Lehman Brothers (jointly); Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly). However, both issues may be sold privately through Kidder, Peabody & Co.

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.

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.

Wisconsin Central Ry. (5/28)
May 12 company sought approval of the ICC to issue and sell $3,930,000 equipment trust certificates to be dated June 1, 1953 and to mature semi-annually from Dec. 1 1953 to June 1, 1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. **Bids** — Expected to be received up to 1 p.m. (EDT) on May 28.

Wisconsin Public Service Corp.
March 17 it was reported that the company may, late this year or early in 1954 issue and sell some common stock to round out its financing program. **Underwriter**—May be The First Boston Corp. and Robert W. Baird & Co. (jointly).

Worcester Gas Light Co.
April 2 it was announced company has applied to the Massachusetts Department of Public Utilities for authorization to issue and sell $3,000,000 of 20-year first mortgage bonds. **Proceeds**—To retire bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co.

Our Reporter's Report

Although the Treasury list still is inclined to displays of nervousness, general feeling in the investment world is visibly better than it was a few weeks back. Even the government list has shown ability to develop resistance that was not in evidence a short time back.

True some of the larger institutional investors continue to put up a tough front, but the manner in which some recent new issues have been moving out suggests that, even among these buyers, the pressure of idle funds is making itself felt.

Those who keep close tabs on developments in the investment field report that many of the smaller insurance firms and pension and trust funds, those who will pick up 100 to 300 bonds of a new issue, are displaying a willingness to scan anything that looks attractive.

Underneath this apparent change of feeling, it is assumed, is the growing belief that the seasoned market has "scraped bottom" and can be expected to do better. Perhaps a negative factor in the situation is the stiffening attitude of potential corporate borrowers to rising costs of new money.

Within a period of several weeks, two of the latter have rejected bids for sizable new issues as not measuring up to their expectations. Such action, of course, curtails the prospective supply of new material at a time when investment funds in the hands of institutions continue to pile up.

No Headlong Rush

There is no stampede for current new offerings. But, certainly the situation is vastly different from a fortnight ago when reluctance of buyers threatened to stall new emissions in syndicate.

This week, for example, Consolidated Natural Gas Co.'s offering of 25-year 3⅞% debentures, carrying a triple-A rating, was marketed quickly at a price of 102.016 for a yield of 3.75%. Bankers had paid the company a price of 101.42.

A week ago, it looked as though Pacific Gas & Electric Co.'s $65,000,000 of first and refunding mortgage bonds, plus Southern Natural Gas Co.'s $34,220,100 of convertible sinking fund debentures might drag along.

But the latter issue got away fast and touched off brisk demand for the first-mentioned with the result that both cleaned up much to the relief of the market in general.

Joining the Roster

Commonwealth Edison Co. will be in the money market early in July for another $40,000,000 it was made clear at the annual meeting this week. The company plans to offer that amount of first mortgage bonds for competitive bids.

Funds are needed to finance a four-year construction program, slated to run through 1956, at an aggregate outlay of more than $500,000,000.

More than half of the necessary funds will be raised through the sale of new securities with the balance to be provided through plowing back of earnings.

Ark.-Louisiana Gas

The latest company to reject bankers' bids for its projected new offering is Arkansas-Louisiana Gas Co. which early this week received tenders from two syndicates, one specifying a 5% coupon and the second a 5⅛% interest rate.

Had the bonds been awarded the successful group planned reoffering at a price of 102½ for a yield of 4.83%. This marked the first time in 20 years or so that a 5% coupon had shown up on a new issue.

However, it is understood that company officials were forewarned of prospects at an information meeting preceding the opening of bids. It was indicated then that a rate under 4½% was unlikely, but officials appeared confident of improving on that figure.

National City Group Offers $23 Million Baltimore Co. Bonds

National City Bank of New York heads a group offering $23,000,000 Baltimore County, Md., 5%, 2¾% and 3% various purpose bonds, maturing June 1, 1956 to 1993, inclusive.

Of the total issue, $22,454,000 of the bonds due 1956 through 1989 are priced to yield from 2% to 3.10%. The balance of $546,000, due 1990 through 1993, is not being offered.

Associated with National City Bank in the offering are: Drexel & Co.; Halsey, Stuart & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Securities Corp.; Mercantile Trust Co. of Baltimore; The Northern Trust Co.; Chemical Bank and Trust Co.; Continental Illinois National Bank and Trust Co. of Chicago; The Philadelphia National Bank; Blair, Rollins & Co. Inc.; Goldman, Sachs & Co.; Stone & Webster Securities Corp.;

Equitable Securities Corp.; The Marine Trust Co. of Western New York; Stroud & Co. Inc.; Hornblower & Weeks; Trust Co. of Georgia; Francis I. duPont & Co.; Roosevelt & Cross Inc.; Laidlaw & Co.; Baker, Watts & Co.; John C. Legg & Co.; Stein Bros. & Boyce; W. E. Hutton & Co.; F. S. Smithers & Co.; Bache & Co.; Hirsch & Co.; Wertheim & Co.; Mead, Miller & Co.; King, Quirk & Co. Inc.; William Blair & Co.; Andrews & Wells, Inc.; F. W. Craigie & Co.; E. F. Hutton & Co.; Auchincloss, Parker & Redpath; Robert Winthrop & Co.;

The National City Bank of Cleveland; Provident Savings Bank & Trust Co., Cincinnati; Dean Witter & Co.; Sills, Fairman & Harris Inc.; Baxter, Williams & Co.; Fahey, Clark & Co.; Field, Richards & Co.; Folger, Nolan Inc.; Scott, Horner & Mason, Inc.; Breed & Harrison, Inc.; Paul Frederick & Co.; Anderson & Strudwick; and T. H. Jones & Co.

William R. Stuart Joins Rodman & Linn

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William R. Stuart has become associated with Rodman & Linn, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Stuart was formerly an officer of Mason, Moran & Co.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (Thursday) $2,325,000 Missouri Pacific RR. series VV 3¾% serial equipment trust certificates, maturing annually June 15, 1954 to 1968, inclusive. Subject to the authorization of the Interstate Commerce Commission, the certificates are priced to yield from 3% to 3.80%, depending on maturity.

The issue is to be secured by the following new standard-gauge railroad equipment, estimated to cost $2,966,898: 19 diesel-electric freight locomotives.

Associated with Halsey, Stuart & Co. Inc. in the offering are: R. W. Pressprich & Co.; Freeman & Co.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.

Potomac El. Power Offer Underwritten

Dillon, Read & Co. Inc., and Johnston, Lemon & Co. are heading an investment banking group which is underwriting an offering by Potomac Electric Power Company of 852,840 shares of common stock to its common stockholders. The company is offering the common shares through warrants expiring on June 10, at $16 per share on the basis of one share for each five shares held of record May 27.

Proceeds from the sale of the common stock together with proceeds from the sale of $10,000,000 first mortgage bonds and other company funds will be used to finance 1953 construction projects estimated to cost approximately $23,000,000 after first retiring $15,000,000 bank loans obtained for such purposes.

The company, incorporated in 1896, furnishes electric power to an area of approximately 640 square miles comprising the entire District of Columbia and portions of adjoining counties in Maryland and Virginia, having a population of about 1,300,000.

For the year ended Dec. 31, 1952 the company reported operating revenue of $47,901,401 and net earnings applicable to common stock of $5,760,942 or $1.35 per share. The company has paid cash dividends on its common stock in each year since 1904. Since June 1952 quarterly dividends have been paid at the rate of 25 cents per share.

Baltimore Bond Club To Hold Annual Outing

BALTIMORE, Md. — The Bond Club of Baltimore will hold its annual summer outing at the Elkridge Club on Friday, June 5.

F. Barton Harvey, Jr. of Alex. Brown & Sons is Chairman of the committee on arrangements.

The program will include a golf tournament, tennis matches, and a popular "feature." Dinner at 7 p. m. will top off the afternoon's entertainment.

Guests will attend from Washington, Philadelphia, New York and other cities in the East. Guest tickets are $8. Reservations should be made with G. Melvin Readmond of E. R. Jones & Co.

Albert G. Warfield of Merrill Lynch, Pierce, Fenner & Beane is President of the club.

du Pont, Homsey Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Bernard J. Bagdis has become associated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. He was previously with Hanrahan & Co.

T. L. Ashbridge With Kidder, Peabody Co.

PHILADELPHIA, Pa.—Kidder, Peabody & Co., members of leading stock exchanges, announce that Thomas L. Ashbridge, 3rd, has become associated with them as a registered representative.

Prior to joining Kidder, Peabody & Co., Mr. Ashbridge was associated with the Fidelity-Philadelphia Trust Company. A resident of Holicong, Pa., he attended the George School, Newtown, Pa., and the University of Pennsylvania.

Mr. Ashbridge served four years in the U. S. Air Force during World War II, leaving the service with the rank of Captain. When the Korean emergency developed, he was recalled to active duty and assigned to Penn State College as associate professor of air science and tactics.

Edwin Todd Joins Geo. Patten Inv. Co.

PORTLAND, Ore.—Edwin Todd, formerly of San Francisco where he held position as loan officer in the Burlingame Branch of The American Trust Company has joined George Patten Investment Co., to become sales representative and assist with other general activities of that firm. Previous to his six years of banking experience Mr. Todd was employed in the San Francisco office of E. F. Hutton & Company.

George Patten Investment Co., is engaged in the general securities business in Portland, doing an individual and institutional business.

Municipal Bond Club Nominates Officers

The nominating committee of the Municipal Bond Club of New York has presented the following slate for 1953-54, to be voted upon at the annual meeting on June 12, at the Westchester Country Club in Rye:

For President, Thomas F. Adams, Adams, McEntee & Co.; Vice-President, Roald A. Morton, Blue List Publishing Co.; Secretary, Floyd F. Stansberry; and Treasurer, George T. Ragsdale, Lehman Brothers. The following have been nominated as governors: Monroe V. Poole, Geo. B. Gibbons & Co. Inc., Harry W. Youngdahl, Estabrook & Co., and Frank P. Lynch, Blair, Rollins & Co., Inc.

H. C. Wainwright Adds Gordon Benedict to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Gordon M. Benedict has become associated with H. C. Wainwright & Co., 60 State Street, members of the Boston and New York Stock Exchanges. Mr. Benedict was formerly manager of the statistical department for F. L. Putnam & Co., Inc.

DIVIDEND NOTICES

67th Dividend Common Stock

AMERICAN EXPORT LINES, INC.

The Board of Directors of American Export Lines, Inc., at a meeting held May 20, 1953, declared a quarterly dividend of thirty-seven and one-half cents ($.37½) per share on the Common Stock payable on June 12, 1953, to stockholders of record June 1, 1953.

C. J. Kinney
Secretary-Treasurer

May 20, 1953

The American Tobacco Company

111 Fifth Avenue New York 3, N.Y.

195TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on July 1, 1953, to stockholders of record at the close of business June 10, 1953. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*

May 26, 1953

ADVANCE ALUMINUM CASTINGS CORP.

Chicago, Illinois

The Board of Directors has declared a regular quarterly dividend of 12½ cents per share, and an extra dividend of 12½ cents per share, on the common stock of the corporation, payable June 15, 1953, to stockholders of record at the close of business on June 1, 1953.

ROY W. WILSON
President

Dividend Notice

THE ARUNDEL CORPORATION
BALTIMORE MARYLAND

The Board of Directors of the Arundel Corporation has this day (May 26, 1953) declared thirty cents per share as a quarterly dividend, on the no par value stock of the corporation, issued and outstanding, payable on and after July 1, 1953, to the stockholders of record on the corporation's books at the close of business June 15, 1953.

MARSHALL G. NORRIS,
Secretary.

AMERICAN MACHINE AND METALS, INC.

38th Dividend

A regular quarterly dividend of TWENTY-FIVE CENTS a share will be paid on June 30, 1953—for the second quarter of this year—to share owners of record at the close of business on June 12, 1953.

H. T. McMeekin, *Treasurer*

DIVIDEND NOTICES

HOMESTAKE MINING COMPANY
DIVIDEND NO. 888

The Board of Directors has declared dividend No. 888 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable June 12, 1953, to stockholders of record June 2, 1953.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*

May 12, 1953.

BRILLO
MANUFACTURING COMPANY, INC.

Dividend No. 93

A Dividend No. 93 of Forty Cents ($.40) on the Common Stock has been declared, payable July 1, 1953 to stockholders of record June 15, 1953.

M. B. LOEB, President

Brooklyn, N. Y.

THE BYRNDUN CORPORATION

The Directors of The Byrndun Corporation on May 21, 1953 declared dividends as follows: $1.50 per share on the Participating Preferred Stock, $2.50 per share on the Class A Participating Stock, $3.50 per share on the Second Preferred Stock; and at the rate of one share of 4½% Cumulative Preferred Stock of Hat Corporation of America on each 100 shares on combined holdings of Class A Participating Stock, Class A Common Stock and Common Stock; no fractional shares will be delivered but in lieu thereof stockholders will receive cash at the rate of Thirty-six Cents (36¢) for a one hundredth of a share of said 4½% Cumulative Preferred Stock; no dividends on fractional shares; all payable on June 15, 1953 to stockholders of record at 3:00 P.M. (New York City Time) on June 1, 1953.

H. G. FAHLBUSCH, *President*

May 21, 1953.

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable June 16, 1953, to shareholders of record June 1, 1953. Checks will be mailed.

A. NELSON HIRST
ASST. TREASURER

Philadelphia, Pa.
May 22, 1953

PHILLIES

America's No1 cigar

CHEMICALS
TEXTILES
PLASTICS

CELANESE
CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A

The regular quarterly dividend for the current quarter of $1.12½ per share, payable July 1, 1953, to holders of record at the close of business June 5, 1953.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable July 1, 1953, to holders of record at the close of business June 5, 1953.

COMMON STOCK

25 cents per share payable June 24, 1953, to holders of record at the close of business June 5, 1953

R. O. GILBERT
Secretary

May 26, 1953.

DIVIDEND NOTICES

THE GAULEY MOUNTAIN COAL COMPANY

At a meeting of the Board of Directors of The Gauley Mountain Coal Company held May 25, 1953, a dividend of $1.00 per share on the Capital Stock of the Company was declared payable June 10, 1953 to shareholders of record at the close of business June 1, 1953.

CHARLES E. HEWITT, Treasurer.

The Colorado Fuel & Iron Corporation

At a meeting of the Board of Directors of The Colorado Fuel and Iron Corporation, held in New York, N. Y. on May 25, 1953, the regular quarterly dividend on the common stock of the corporation in the amount of thirty-seven and one-half cents per share was declared, together with the regular quarterly dividend on the series A $50 par value preferred stock in the amount of sixty-two and one-half cents per share, and also the regular quarterly dividend on the series B $50 par value preferred stock in the amount of sixty-eight and three-quarters cents per share, all payable on June 30, 1953 to stockholders of record at the close of business on June 5, 1953.

D. C. McGREW, Secretary.

CSC

COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 74

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on June 30, 1953, to stockholders of record at the close of business on June 4, 1953.

A. R. BERGEN,
Secretary.

May 25, 1953.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 153 of fifty cents (50¢) per share on the common stock payable July 15, 1953, to stockholders of record at the close of business on June 15, 1953.

GERARD J. EGER, Secretary

IRVING TRUST COMPANY

One Wall Street, New York

May 21, 1953

The Board of Directors has this day declared a quarterly dividend of 25 cents per share on the capital stock of this Company, par $10, payable July 1, 1953, to stockholders of record at the close of business June 2, 1953.

STEPHEN G. KENT, *Secretary*

ELECTRIC BOND AND SHARE COMPANY

TWO RECTOR ST., NEW YORK 6, N. Y.

Common Stock Dividend

The Board of Directors has declared a dividend, subject to the approval of the Securities and Exchange Commission, on the Common Stock, payable June 30, 1953, to stockholders of record at the close of business June 3, 1953. The dividend will be payable in shares of United Gas Corporation Common Stock at the rate of 2 shares for each 100 shares of Electric Bond and Share Company Common Stock. No scrip representing fractional shares of United Gas Corporation Common Stock will be issued to stockholders. The Company proposes to arrange for the Company's dividend agent to handle fractional share equivalents for the stockholders.

B. M. BETSCH,
Secretary and Treasurer

May 27, 1953.

DIVIDEND NOTICES

GEORGE W. HELME COMPANY

9 Rockefeller Plaza, New York, N. Y.

On May 27, 1953, quarterly dividends of 43¾ cents per share on the Preferred Stock and 40 cents per share on the Common Stock were declared, payable July 1, 1953, to stockholders of record at the close of business June 8, 1953.

J. P. McCAULEY, Secretary

DIVIDEND NOTICE

THE MINNEAPOLIS & ST. LOUIS RAILWAY COMPANY

The Board of Directors of this Company on May 13, 1953, authorized the payment of a dividend of Twenty-five (25¢) Cents per share on all shares of common stock outstanding as of the close of business June 2, 1953, such dividend to be payable June 12, 1953, to the holders of record of shares of said stock at the close of business on June 2, 1953.

By order of the Board of Directors.

JOHN J. O'BRIEN, Secretary

LION OIL COMPANY

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable June 16, 1953, to stockholders of record May 29, 1953. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

May 11, 1953.

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 156

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable July 1, 1953, to stockholders of record at the close of business on June 15, 1953. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

LIBERTY PRODUCTS CORPORATION

Farmingdale, New York

May 26, 1953

The Board of Directors of Liberty Products Corporation declared a regular quarterly dividend of Twenty Cents (20¢) per share on its common stock, payable June 26, 1953 to stockholders of record at the close of business on June 12, 1953.

William G. Holman
Treasurer

MERCK & CO., INC.

RAHWAY, N. J.

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, and $1.00 a share on the $4.00 convertible second preferred stock have been declared, payable on July 1, 1953 to stockholders of record at the close of business June 12, 1953.

An initial dividend of 70⅚¢ a share on the $4.25 second preferred stock for the period May 1, 1953 to June 30, 1953 was also declared payable on July 1, 1953 to stockholders of record at the close of business June 12, 1953.

JOHN H. GAGE,
May 26, 1953 *Treasurer*

DIVIDEND NOTICES

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock payable June 11, 1953, to holders of record June 1, 1953.

ROGER HACKNEY, *Treasurer*

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 142

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, June 22, 1953, to stockholders of record at three o'clock P. M., on Monday, June 1, 1953. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., May 21, 1953.

TENNESSEE CORPORATION

61 Broadway, New York 6, N. Y.

May 19, 1953

A dividend of fifty (50¢) cents per share has been declared, payable June 29, 1953, to stockholders of record at the close of business June 17, 1953.

JOHN G. GREENBURGH
Treasurer.

THE West Penn Electric Company

(Incorporated)

QUARTERLY DIVIDEND DECLARED

• Common Stock
55¢ per share

Payable on June 30, 1953, to stockholders of record on June 8, 1953.

H. D. McDOWELL,
Secretary

May 27, 1953

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

COMMON STOCK

A dividend of five percent (5%) on the outstanding common stock of the Company, has been declared payable July 3, 1953, in common stock of the Company, to holders of record at the close of business June 17, 1953. Scrip certificates will be issued for resulting fractional shares.

The transfer books will not be closed. Resulting stock and scrip certificates will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*

Dated, May 21, 1953

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND
COMMON DIVIDEND

The regular dividend of one dollar thirty-seven and one-half cents ($1.375) a share on the outstanding 5½% cumulative convertible preferred stock has been declared for the quarter ending June 30, 1953, payable July 1, 1953, to holders of record at the close of business June 16, 1953.

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable July 1, 1953, to holders of record at the close of business June 16, 1953.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*

Dated, May 21, 1953

Washington ... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Regardless of the fate of President Eisenhower's proposal for a six-months extension of the Excess Profits Tax, the basis already has been laid for a disagreement between the White House and the GOP leaders about the whole fiscal question when it comes up in the 1954 session of Congress.

Among the Republicans in Congress, the expectation is that President Eisenhower will back a tax relief bill in 1954. This bill would provide more than has already been given the approval of the President, or the expiration not later than Dec. 31 of both EPT and the latest (1951) personal income tax boost, averaging about 11% on an annual basis.

Republican leaders have about the same look on their faces as the conservative Democrats of 20 years ago did, when they succeeded to chairmanships by virtue of seniority with the 1932 Democratic victory, and were called to the White House to back heavy spending and specific radical "emergency" measures.

The look is not unlike that of a well-to-do father who learned that his daughter had had an affair with a deformed Red Chinese houseboy. Nevertheless, holding back their pride and principles, the GOP leaders were seeking honestly to get EPT extended upon their expectation that the White House in 1954 will back a bill providing for substantial tax reduction.

Budget Balance Is Conditionally Promised

Like the (then) unhappy conservative Democratic committee chairmen of 20 years ago, the GOP leaders hope that their faith will be rewarded. More than that, they are operating upon this as a concrete expectation. Like the Democrats who 20 years ago were given the ointment that FDR was not basically a budget unbalancer and did sponsor queer measures only for the unemployment "emergency," the GOP leaders hope Ike means to cut expenses sufficiently in the 1954 session to clear the way for a substantial cut in taxes, with the help they think this will give Republicans to get re-elected in 1954.

However, all the outpouring of public statements makes it clear that neither President Eisenhower nor his chief fiscal adviser, Treasury Secretary Humphrey, has promised a balanced budget for the fiscal year 1955.

Mr. Humphrey candidly makes it clear that this is his ardent hope, and few doubt his intentions as expressed. However, the Treasury Secretary qualifies the prospect in that he says it is possible only if international conditions do not worsen.

Mr. Eisenhower, on the other hand, appears to make a different qualification. In context of his radio talk and budget and tax message, he seems to indicate that a balancing of the budget through reduction of spending will be possible in fiscal 1955 only if international conditions improve.

Promise on Taxes Also Is Qualified

Both Mr. Humphrey and President Eisenhower at no stage promise that the tax bill which they have committed themselves to back before Congress in 1954 will be a tax reduction or a tax relief bill. In context the President, while emphasizing what a bad thing present high taxes are, might give a casual reader of his remarks the notion that the overall revision bill he discusses, to diminish inequities and improve incentives, would necessarily provide a large measure of tax relief.

A careful reading of the President's remarks, on the other hand, would disclose that at no point has the President made such a commitment. This is further borne out by his request that the expiring higher excise rates on liquor, tobacco, and gasoline, together with the expiring 52% corporation income tax rate, should be extended.

If these were extended the White House would be in a better bargaining position against a general drive next year to cut the burden of Federal taxes.

Congressional leaders because they think they have a commitment that the total burden of taxes will be reduced, are for that reason trying seriously to get EPT extended, and were also continuing to throttle the Reed bill. Congress is unlikely to act this session to extend the excises and the 52% rate, simply because in a changing picture, there is no need to act on this so far ahead of April 1, the expiration date for these higher rates.

Revision Without Relief Is Regarded As Dubious

Politically, a tax revision bill which is devoid of a substantial net reduction in the tax burden, is regarded as a bad deal.

Certain industries and commodities already are taxed. Sure, they are clamoring for relief, but if the price of cutting them some is to include new industries and new commodities within excise taxation, the howl from the newly-taxed will outweigh the benefit of some relief to those already taxed.

This would prove particularly true if the Administration were to sponsor a general Federal sales or manufacturers' excise tax. This, of course, is politically vulnerable, and hardly would sell politically to pave the way for desperately needed improvements to business incentive. It could be gotten into the tax fabric perhaps if it were accompanied by a substantial personal income tax rate cut.

Economically, of course, everything can be said for a more equitable readjustment of tax burdens, which is ALL that the Administration has promised. Politicians, however, and not economists will be voting the changes, if any.

Postal Savings To Be "Saved"

The prospect of a few weeks ago that legislation would be passed providing for the eventual liquidation of the postal savings system, appears to have gone a-glimmering.

Post Office Department officials, who at first interposed no objection to this proposition, later broke down and confessed that they also would like to keep this system alive. Then the AFofL came solidly to the support of postal savings as a great boon to the working man. Then Democrats and "liberal" Republicans on the Senate Post Office Committee lined up against the bill.

Housing Program Planning Delayed

Another earlier prospect also has been indefinitely delayed. This was that the Administration, in cooperation with Congress, would formulate a complete new look at the multifarious Federal financing aids and other assistance to the housing industry. One feature of this study was to be a complete overhaul of public housing and slum clearance.

No major changes are expected to be proposed to Congress, at least this summer. The Housing and Home Finance Agency will back proposals to increase terms of repayment and lower down payments on FHA-insured loans, as the housing industry is demanding.

Quirk Develops on Small Business

One official is the source of the information that the "Small Defense Plants Administration" arrangement actually has operated to hurt established small business.

Under SDPA a group of small business concerns can form a pool to bid on a defense program and be certified as competent by SDPA, requiring the military to award a procurement contract to this group.

There have been many cases, it was explained, where the Defense Department was obliged to award bids to such groups which were without business experience and have fallen flat and failed to deliver on their contracts.

There have been cases where these groups, having been certified, have precluded awarding bids to small business firms which in the past have demonstrated their success in manufacturing defense equipment.

Congress currently is tearing its hair about what kind of an agency shall replace the RFC, which the Eisenhower Administration desires to liquidate. Some want an SDPA scheme for peacetime as well as defense work.

The Administration would like to liquidate RFC, even if replaced by a similiar facility, because of RFC's former reputation and to eliminate it as a nucleus of a possible future giant government lending activity.

Democrats, on the other hand, are beginning to rally behind the idea of keeping RFC.

(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

"Well, frankly, Mrs. Nagmore—I don't think this would be exactly the very best moment to touch him for a new mink!"

With Coburn Middlebrook

(Special to The Financial Chronicle)

MANCHESTER, N. H.—Ralph J. Maloney is associated with Coburn & Middlebrook, Incorporated of Hartford.

Business Man's Bookshelf

Foreign Commerce — Harold J. Heck—McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y.—cloth—$6.50.

Investment Companies 1953 Edition: An annual compendium of information about Mutual Funds and Investment Companies—Arthur Wiesenberger & Company, 61 Broadway, New York 6, N. Y.—cloth—$20.00.

Investment Timing: The Formula Plan Approach—C. Sidney Cottle and W. Tate Whitman — McGraw-Hill Book Company, 330 West 42nd Street, New York 36, N. Y.—cloth—$5.00.

Winning in Wall Street—Ira U. Cobleigh — David McKay Company, Inc., 225 Park Avenue, New York 17, N. Y.—cloth—$2.00.

To Resume Trading in Copper Futures

The Commodity Exchange, Inc. officially announced today that all preparations have been completed for the resumption of trading in copper futures on Monday, June 1. Because of allocations of materials and price controls, the Exchange was forced to suspend dealings in copper futures in July, 1951.

The restoration of copper to the trading ring of the Exchange, marks another important step in the return of the metals industry to a free, uncontrolled market, as it brings the metals list of the Exchange to its prewar status. Free futures markets are now conducted in copper, lead, tin and zinc, and have enjoyed increasing popularity in recent weeks. Also, with the renewal of free trading in copper in London on Aug. 5, opportunities will arise for international arbitrage in the metal.

Through the Exchange's hedging facilities, manufacturers and fabricating consumers of copper will be able to protect themselves against inventory losses. And through the market's facilities users will be enabled to purchase forward supplies of the metal, and producers can sell their supplies for future delivery.

A new streamlined copper futures contract will be dealt in when trading is resumed on June 1. It has had strong support in the trade and it is anticipated that it will result in accelerated turnover on the Exchange. Approved by the Exchange membership on May 15, the new copper contract is basically different from the previous one because trading will be based on electrolytic copper, which was previously considered a premium grade. Other grades of refined copper are also deliverable at the contract price or fixed discounts.