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EDITORIAL

As We See It

There can no longer be any reasonable doubt that barring a rather drastic change in the current general policies of the Federal Reserve authorities, and a sharp and prolonged turn in the general business situation, the Treasury is facing what might be termed a new era in the management of its debt. Perhaps it would be better to say a return of an old, old era, but it has now been so long since these older conditions obtained that to many observers a return of them would (or will) appear definitely a new era.

The fact that a 3¼% long-term issue of the Treasury—an issue of very moderate proportions to state the case mildly — met with a hesitant reception is significant. Add the fact that a 2⅝% one-year certificate was not too enthusiastically received in the financial district, and it is clear enough that times have changed. Of course, various other indications of a basically altered state of affairs in the money market are quite abundant.

So much for the demand side of this equation. Significant changes in the supply situation have also occurred. It appears clear enough that the Eisenhower Administration is making strenuous efforts to reduce outlays, and thus curtail the need for funds either through taxation or borrowing. It is equally evident, however, that quick and large relief from this direction will not in the nature of the case be forthcoming. Try as it may to avoid it, this Administration, in view of admittedly large defense needs and in consequence of immense previous commitments in

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Excess Profits Tax Is Bad—But We Need the Revenue!

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

Though calling the Excess Profits Tax "a bad tax," Sec. Humphrey favors its extension for six months because revenue is needed for national security and the prevention of further inflation to provide a solid base for the economy. Cites adverse budget situation and says government spending cannot be cut back fast enough to justify reduction in taxes. Supports Eisenhower's statement EPT penalizes thrift and efficiency and hampers business expansion.

The immediate problem is the extension of the Excess Profits Tax for six months through Dec. 31. I am here to urge this extension in spite of the fact that I dislike the Excess Profits Tax and think it is a bad tax.

The basic problem is that of national security—which means military security and economic security. The country must be kept safe from aggression from abroad. And further inflation must be stopped and the dollar must be kept sound to provide a solid base for a healthy economy. Military security and economic security are the chief responsibilities of the nation. They must take precedence over everything else.


George Humphrey

A few financial facts will show just what we are up against.

Last January the budget filed for the fiscal year 1954 showed total estimated receipts of $68.7 billion and expenditures of $78.6 billion, with a prospective deficit of $9.9 billion. On the basis of our present information, it appears that revenue receipts will be $1.2 billion less than had originally been estim-

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*A statement by Sec'y Humphrey before the House Ways and Means Committee, Washington, D. C., June 1, 1953.

What Do You Think?

What About Picketing?

More letters on the subject of whether or not the Taft-Hartley Act should be amended to curb picketing presented in today's issue.

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 curbed, 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. Some of the communications that have been received were given in the "Chronicle" of May 28, on page 3, and we are able to accommodate in today's issue the following additional expressions of opinion. Others will be given in subsequent issues.

NORMAN THOMAS
New York 10, N. Y.

On a very busy day, I am not prepared to write extensively on the subject of picketing in connection with labor conflicts. This I am prepared to say:


Norman Thomas

The right to strike is essential to the workers. The existence of the right tends to make the use of it unnecessary. The abolition of the right to strike is the mark of the totalitarian state. The strike itself is, by and large, an example of the use of the folded arm rather than the clenched fist, although I shall not strain credulity by arguing that great strikes are completely pacifist affairs. I shall argue that historically they have been an alternative on the one hand to weak submission and on the other to a riotous mob violence.

Picketing is in large part the way best open to the workers to present their cause. It is an expression of

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THE "CHRONICLE" will feature proceedings of the Edison Electric Institute Convention at Atlantic City, N. J., and also contain candid pictures taken at the Bond Club of New York outing.

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.)

GEORGE A. BAILEY
Partner, George A. Bailey & Co., Philadelphia, Pa.
Members Philadelphia-Baltimore Stock Exchange

Morris & Essex RR. 1st Refunding Mortgage 3½% Bonds, Due Dec. 1, 2000.

At this point in the economic cycle there are few securities available that possess the possibility of gradually advancing in price, whether general business increases or decreases or whether the stock market goes up or down. Such an issue must first: Be well secured. Second, it must be paying better than average return. Third, it must have a consistently increasing equity. Fourth, it must yield more than other comparable issues in the same industry; and Fifth, it must offer possibilities for enhancement in price.


George A. Bailey

These attributes may be found in the Morris & Essex RR. first refunding mortgage 3½% bonds, due Dec. 1, 2000. This issue is well secured by a first lien on the entire properties, wharves, water rights, etc., of the railroad. In 1943 the ICC placed a valuation of $93,235,469 before depreciation, while there are but $35,000,000 of these bonds outstanding.

Early in 1945 the Delaware, Lackawanna & Western merged the Morris & Essex and assumed payment of both principal and interest of the Morris & Essex 3½s. Separate financial statements are not available. The D. L. & W. has been steadily strengthening its capital structure in that its fixed charges have been reduced from $8,320,801 in 1932 to about $4,201,328 at the end of 1952, or approximately 50%. Based on the present annual fixed charges of about $4,200,000, the net income available to meet these requirements would have been earned on an average of about 1.65 times in the past 20 years. In 1952 fixed charges were earned about 2.88 times, indicating a good margin of safety.

Further adding to the road's efficiency is the dieselization program. During the year 1952 an average of 98.68% of gross ton-miles was handled by diesel power. This compared with 66.13% in 1949.

Through the sinking fund operations, the funded debt is reduced annually, thereby steadily increasing the equity back of these bonds. During 1952 the D. L. & W. purchased bonds amounting to $2,398,050 par value. It has bought in over $24,190,430 face amount of its debt and leased-line stocks since 1940.

Another factor in the development of this company's future is a possible merger with New York, Chicago & St. Louis Railroad (Nickel Plate), of whose common stock the Lackawanna owns 330,000 shares, or 14.88% of the voting stock. Mr. Shoemaker, D. L. & W. President, said:

"We do not believe merger between two companies can be successful unless the principal owners and management of each recognize that such a move will be in the self-interest of the respective companies and their stockholders and to their mutual advantage. Our position is that if, as and when that happens, with respect to the Lackawanna and Nickel Plate, merger discussions will be in order. They would not be in order under present conditions."

Lackawanna's application to elect two directors of Nickel Plate is before the Interstate Commerce Commission. It would be an easy course for Lackawanna, Mr. Shoemaker stated, to sell its Nickel Plate holdings and distribute the proceeds either as a special dividend or to reduce debt or fixed charges, or both, but it would not be in the long-range interest of stockholders. The investment, he added, is a protection to Lackawanna if merger proceedings involving Nickel Plate and some other road inimicable to the interest of Lackawanna should be started. He emphasized also the close traffic relationship with Nickel Plate and that the two roads complement each other. Dividends received on Nickel Plate stock, Mr. Shoemaker stated, make an extremely important contribution to Lackawanna's income and help materially to meet current fixed charges. The merger of the two would create a direct East-West system extending from Hoboken, N. J., opposite New York City, to Chicago. The miles of track operated at the close of the year 1952 by the Nickel Plate was 3,971.78, and by the Lackawanna 2,380.39, a total of 6,352.17.

This bond is available in registered as well as coupon form. The registered bonds sell over-the-counter. Free of the personal property tax in Pennsylvania, this first mortgage bond is in a stronger position today than any time in the company's history. The property is indispensable to the operations of the Lackawanna system. The company is now in the best financial position in many years and the prospects for still further improvement are increased through the "eventual merger" of the Nickel Plate. Nevertheless, this well-secured first mortgage issue continues to sell at approximately 40 points under par.

BRUCE BENJAMIN
Research Analyst, Hettleman & Co.,
Members New York Stock Exchange

Westpan Hydrocarbon Company

The sophisticated investor's fundamental demand for minimum risk, combined with virtually unlimited appreciation possibilities, calls our attention to Westpan Hydrocarbon Co. I believe the common stock of this company fulfills these requirements and recommend it as "The Security I Like Best."


Bruce Benjamin

In Westpan the opportunity is presented to share from its inception in the development of a promising oil and gas company. This company seems unique, possessing both experienced and capable management and a continuing flow of free cash unencumbered by large overhead. The capitalization consists solely of 727,757 shares of common stock, 52.8% of which is owned by Sinclair Oil Corp.

The company was organized late in 1951 as part of the liquidation of mission Oil of Kansas. Sinclair received 384,861 shares under this liquidation which must eventually be disposed of in accordance with an SEC ruling. Apparently confident of the future of the enterprise, Sinclair has received one extension on the sale and has applied for another in the hope of retaining this interest at least until June 21, 1954. Albert R. Jones of Kansas City, a well-known oil operator, is the other major stockholder.

Westpan (short for West Panhandle Field in Texas) is entitled to an assured contractual income from the sale of liquid hydrocarbon constituents extracted from natural gas owned by the Colorado Interstate Gas Co. Its regular indicated annual gross income from such sales is approximately $1,400,000, and is expected to continue for many years. With these funds the company is engaged in an intensive search for oil and gas properties. Drilling operations on acreage already acquired have proved outstandingly successful. Of 11 wells which have been drilled since Westpan began its present program late in 1952, seven have become producers. If the fields in which these wells are located can be developed along the potential currently indicated it is possible to visualize operating revenues from this source alone of from $2.00 to $4.00 per share, per annum.

During 1952, the first full year of liquid hydrocarbon sales, gross income of $1,492,503 was reduced to $546,470 or 75 cents a share after a tentative tax charge of $830,000 deducted as the maximum possible liability pending a final tax ruling. Future drilling operations are expected to entail considerable expense in a typical year and the tax bill consequently should be modest. Obviously, the first year's result does not seem indicative of the true earning power of the company.

I believe that this company's growth will stem from the double effect of expanding production and relatively large recurrent revenues. Assuming that the present management team headed by E. C. Wagner, President, in conjunction with the Sinclair and the Albert R. Jones organizations is able to sustain the recent record, a dynamic increase may be visualized.

As new fields are tested and holdings proved, most oil companies borrow funds to hasten the exploitation of proven acreage. Westpan is in a particularly favorable position in this respect as it has no outstanding debt and has exceptional borrowing power afforded by the royalty-type income. For example the company's discovery well in Sheridan County, Kansas, where extensive acreage is held, appears to have established a new field. I feel that this could become one of the major finds of the area and Westpan may well consider resorting to bank loans for the prompt development of this acreage.

If I am completely wrong in assuming that substantial oil and gas properties can be developed by Westpan, the shareholder still possesses excellent downside pro-

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Oppression!

SEC arraigned for its waste of public moneys in the relentless and unwarranted persecution of Otis & Co. The Commission's refusal to accept court's decision involving a private controversy condemned. Criticism of SEC by Heller Committee quoted. Need for repeal of Federal Securities Acts increasingly apparent.

The extent to which the Securities and Exchange Commission can be a relentless persecutor is established by its refusal to drop the Otis & Co. case, despite the fact that the Kaiser-Frazer Corporation financing dispute with Otis & Co. has been finally determined by our courts.

The third Kaiser-Frazer stock offering was made in February of 1948.

From the very outset, when Otis & Company made it known that it would not proceed with the underwriting, we took the view that this was a private dispute, which would ultimately be determined by the courts. We felt that the public interest was in no way involved, and further that the Securities and Exchange Commission had no business to interfere.

The Commission, however, had other ideas, and that same month, on February 18, 1948, ordered a private investigation.

Within two days, its auxiliary policeman, the National Association of Securities Dealers, requested information on the Kaiser-Frazer offering.

Then followed a whole jumble of proceedings, hearings in and out of court, to which Otis & Co., the Securities and Exchange Commission and the National Association of Securities Dealers were parties.

During some of these, a transcript was accumulated which consisted of approximately 5,000 pages of record and 500 exhibits.

All this time, we kept urging that the SEC and NASD had no place in this controversy, which was of a private nature, and that public moneys were being needlessly spent in pursuit of a will-of-the-wisp.

Then the SEC subpoenaed attorneys Harrison and Hull and demanded a report on the conversations between Cyrus Eaton of Otis & Co., and these lawyers.

Basic Principle of Common Law

We, in the public interest, were particularly outraged for, since the earliest time, it was a fixed tradition in the common law that communications between attorneys and their clients were privileged.

So firmly imbedded in the common law was this tenet that Blackstone described it in this simple way:

"No counsel or attorney entrusted with the secret of the cause by a party shall be compelled or perhaps allowed to give evidence of such conversation or matter of privacy as came to his knowledge by virture of such trust and confidence."

Then, the NASD, in an attempt to give the SEC an assist, used its auxiliary powers to endeavor to get the same privileged information, and when the issues of privilege and constitutional rights were raised in opposition, the NASD took the startling position that this privilege and consti-

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Government Bond Market and Problems of Treasury Financing

By JOHN H. GRIER*
Vice-President, The First National Bank of Chicago

Mid-West banker praises policy of a free government bond market, and says, despite bankers' fears, "there is nothing the matter with it." Discusses problems confronting the Treasury in its refunding operations, and concludes bulk of securities must still be of short-term type, but long-term issues will be forthcoming if there is evidence of buying interest by institutional investors. Urges realistic pricing of new issues, and advises banks, in arranging their bond portfolios to appraise carefully the general credit situation.

For some years past, the Government Bond Market has continued to be a source of widespread interest and discussion among the nation's bankers. Starting approximately in 1948, the controversial topic of Federal Reserve support of the market at a fixed price level resulted in an unending stream of arguments pro and con respecting such policy. Not to be outdone by the untold number of others airing their views, I joined the procession, and I hope you will forgive my quoting from a talk I made in January, 1948 before the Wisconsin Bankers Association, a quotation in which, in the light of subsequent developments, I take pardonable pride: "Portfolio management now, possibly more so than any time in the past few years, should be based upon sound conservative banking practice, and not upon any fallacious dependence on a so-called 'pegged' market." I am still of the same opinion.


John H. Grier

In my judgment, the continued support of the market was economically unsound, and I am in full accord with a statement of a former member of the Federal Reserve Board, made during the height of the controversy, that the Federal Reserve System was rapidly becoming an "engine of inflation." We have since witnessed the emancipation of the System, and under the present able leadership in both the Reserve Board and Treasury, there is seemingly perfect accord with respect to monetary policies, both agencies contributing their share to the program to protect the integrity of the dollar. Judging from the press, there are apparently still some left who view the situation differently, but I earnestly hope that the bankers, and the public as well, will realize the fallacy of reverting to a system which can only result in renewed and continuing inflation, and use their influence to avoid any return thereto.

*An address by Mr. Grier before the 63rd Annual Convention of the Arkansas Bankers Association, Little Rock, Ark., May 26, 1953.

What Is Inflation?

I have mentioned that Federal Reserve support of the Government market produced inflation. Let us pause for a moment and ask, "What is inflation?" The best definition I have ever heard is "too many dollars chasing too few goods." If we could maintain the money supply and the supply of goods and services in an ever-normal relationship, the probabilities are we would have no inflation. I need not tell you gentlemen that unlimited purchases by the Federal Reserve System of Government securities create bank reserves of a like amount, upon which base loans and investments can be expanded about five-fold. Such a procedure obviously increases the money supply, and without a corresponding increase in goods and services, the inevitable result is clear.

I can best make my point clear by quoting from a recent speech of the Chairman of the Federal Reserve Board wherein (with his customary aptitude for succinct comments) he said, "When an economy is running at peak levels of production and employment, as it is now, creating more money will not create more things to buy—it can only bid up the prices of available supplies." He further stated, and again I quote: "There must be restraints on creation of excessive credit in a boom, and a policy of liberal monetary easing when inflationary dangers no longer threaten stability."

Law of Supply and Demand No Longer Constitutional

You might well ask "What has all this to do with the Government bond market?" Simply this: We are, and have been, in what is in effect a free market ever since March, 1951, and the price level of Government securities, therefore, is now regulated by the market, responding to the inexorable law of supply and demand insofar as credit is concerned. As in 1929, when we were told that we were in a new era and there would be two chickens in every pot and two cars in every garage, so did some of the philosophy of thought during a large part of the past two decades seem to convey the idea that the law of supply and demand was unconstitutional. It is not human nature to relish losses, and no banker enjoys seeing his government account under water any more than he enjoys charging off loans, but I believe you will agree that a depreciated dollar is too high a price to pay to prevent it.

Frequently, bankers ask me "What is the matter with the Government bond market?" Gentlemen, there is nothing the matter with the Government market. The facts are that too many bankers permitted themselves to be lulled into a feeling of self-complacency by relying on a system of controls, born, possibly, more of political expediency rather than economic fact. In my opinion, the Government bond market is just as sound today as it ever was, and possibly more so than for a long time past, as the price level is predicated on actuality, and not on an unsound idea of maintaining a specific price level seemingly regardless of economic consequences. I believe the policy being pursued—of using the traditional weapon of interest rates to help combat inflation—is in the best interests of the economy as a whole, and, if so, must necessarily be in the best interests of all of us individually. Feeling as I do, I am in complete accord with monetary policies to date.

Problems Confronting the Treasury

Now let's look at some of the problems confronting the Treasury, and, believe me, they are real problems. During the current calendar year, exclusive of Treasury Bills, there are definite maturities of over $27 billion. During the calendar year of 1954, such maturities aggregate about $28 billion. These figures do not reflect any optional dates excepting the $681 million 2¼'s of 1956-54, which in all probability will be retired on the optional date because of the tax exemption feature. The job of successfully accomplishing this refunding with a minimum degree of attrition is an Herculean task in itself, but, in addition, new money must be raised. I know of no dependable actual figures covering the Treasury's needs for the remainder of the calendar year, but based on such information as I have been able to obtain, it would appear that $9 to $10 billion might be about right. To this, however, must be added the attrition of maturing obligations, as well as possible redemption of demand obligations, which could well raise the total of new money to be raised to $11 or $12 billion.

Where will this money come from? In the fall of the year the usual offering of Tax Anticipation Treasury Bills will be offered, and it would seem reasonable to expect that about $5 billion might be obtained in that manner, largely from corporations. Liberalizing the terms on the Tax Savings Notes, as was done recently, will undoubtedly attract buyers, but it remains to be seen whether such purchases will be made with funds that might otherwise go into the Tax Anticipation Bills. Treasury trust funds will, no doubt, have a substantial amount available for investment, and it might well be that pension funds and savings banks could be included in some measure, although Deputy Secretary Burgess recently stated that the Treasury "will proceed cautiously" with the sale of long term bonds. Nevertheless, should a survey of the situation reveal a substantial amount could be realized from long term investors, I should expect to see such demand met. In this connection, may I say that I think it extremely unfortunate that the recent offering of 3¼s was quoted below par before the date of issue, a situation which I am disposed to attribute to type of distribution. The number of speculative purchasers of this issue was extremely large, and I feel it was the volume of bonds in the hands of such speculators, rather than bona fide investors, that resulted in the issue's breaking par so quickly and disturbing the rest of the long term market as well. It would seem logical that the Treasury had obtained in advance of the offering assurances from institutional investors, such as insurance companies, savings banks and pension funds, of sufficient buying interest to account for a large percentage of the issue, or the offering in all probability would not have been made.

I have some appreciation of the tremendous task confronting the Treasury and have the utmost confidence in their policies as developed to date. Nevertheless, had some basis been reached for granting the institutional buyers, who were bona fide investors, a full allotment with correspondingly fewer bonds to speculators, the market action of the new issue, and the rest of the market as well, might have been more gratifying.

Reverting to my previous discussion of the means of accomplishing the necessary new money financing the balance of this year, the residue above the amount raised from the non-bank sources mentioned must, in all probability, come from commercial banks, and it is earnestly to be hoped that such amount can be held to a bare minimum, because of the inflationary effect of such type of borrowing.

Types of Securities to Be Offered

What type of securities is likely to be offered? If, as I mentioned, there should be evidence of buying interest on the part of institutional investors—insurance companies, savings banks, pension funds, etc. — long term bonds would probably be issued. The bulk of the necessary funds, however, must undoubtedly come from corporations, public funds and commercial banks, and to these, only short term obligations would have any appeal, so I would expect the major portion of cash offerings to consist of bills and certificates, with a possibility of some notes.

What of the refunding? The Treasury is fully conscious of the fact that the make-up of our debt maturities is unwieldy, and, as opportunity permits, will certainly put into effect their avowed policy of getting some of the short term and demand issues funded into longer maturities, and so far as possible, to place a larger percentage with investors outside the banking system. The magnitude of the task is indicated by actual maturities between now and Dec. 31, 1957—less than five full calendar years—of over $95 billion, including bills; and in addition, there are outstanding some $58 billion savings bonds, and about $5½ billion tax savings notes, and over $13 billion Treasury Bonds Investment Series, all of which are practically payable on demand. I was glad to see the recent offering of 3¼s made available to the holders of maturing F and G bonds, as I have somewhat of an aversion to a large amount of demand liabilities, as in my opinion, they constitute an ever-present threat to the soundness of the dollar, and I certainly hope the Treasury will continue its efforts to get these obligations funded whenever possible into long term marketable issues.

Meeting the Question of Attrition

In refunding maturing obligations, a matter of prime importance to the Treasury is attrition, that is, the amount of the maturing issue which is not exchanged for the new one, thereby making cash payment necessary and increasing the amount of new money which the Treasury must borrow. To minimize such attrition, it is essential that consideration be given to the type of holders of the maturing issues and new ones patterned to their needs. For example, corporations, public funds, as well as commercial banks, are large holders of short term Governments, and in the vast majority of instances they would not be interested in other than short terms. Consequently, the extension of debt maturity must necessarily be a comparatively slow procedure. Remember, the make-up of the debt which has been years in developing cannot logically be expected to be changed over night. The refunding last February was one of the outstanding accomplishments of the Treasury in respect to attrition, as such attrition was negligible, and what is of more significance, it was done without any Federal Reserve support. The answer was obviously that the rate was realistic and indicated the Treasury's willingness to pay the going rate for money the same as any other borrower, and not rely on inflationary procedures to hold down the rate. The recent offering of a one-year 2⅝% is further confirmation of this policy, and it is to be hoped that this refunding will be as successful as the one in February. To those who profess alarm at a 3¼% long term bond and a 2⅝% one-year rate, as compared to a 2¼% one last February, it should be said that savings on interest on the national debt by maintaining an artificially low rate are negligible in comparison to the benefits gained by safeguarding the dollar.

Pricing of New Issues

Another factor which may trouble the Treasury to some degree in their realistic pricing of new issues is the discount at which outstanding issues are currently selling. Some people are inclined to be critical of the higher coupons placed on new issues, but they may not be giving consideration to the yield on outstanding issues of comparable maturity after giving effect to the capital gains tax. For example, the 2s of June 15, 1954/52, with practically a year to go, yield 1.24% after corporate taxes and after giving effect to capital gains tax. To compete with this necessitates a

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The State of Trade and Industry

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

Aggregate industrial production for the country as a whole in the period ended on Wednesday of last week was little changed from the near-record level of the preceding week. It continued to moderately exceed the level of a year earlier.

Steel ingot production the past week was at an actual rate of 100.3%, down 0.3% from the scheduled rate. The year-to-year gain in the output of crude oil was reported substantial since operations were strike-bound a year ago.

Difference in viewpoints of steel producers and consumers stands out like a sore thumb this week, states "The Iron Age," national metalworking weekly, adding that producers are beginning to worry about too much steel capacity, while consumers are still clamoring for more metal.

Such divergent views aren't surprising to those who follow the steel market, says this trade authority. Steel officials have in the past frequently been regarded as being on the pessimistic side, while robust consumers in the auto industry have been described as overly optimistic.

Since World War II the auto makers have been consistently right in their appraisals of the market. But during the 1930's the steel industry was on the carpet for expanding too much.

Steel people's fear of too much capacity is based on high fixed costs, which means high overhead regardless of business volume. Because of this, during periods of failing demand it has sometimes seemed wiser to sell at a loss than to drastically curb production, this trade weekly notes.

In the seven years since World War II the steel industry has spent over $5 billion to raise its capacity by more than 26 million tons. And it is still expanding. Although steel officials are proud of that record, some of them are now expressing fear that capacity will soon be too large to be supported by demand, "The Iron Age" points out.

Actually they don't fear too much capacity so much as they do high fixed costs and temptation to slash prices when orders lag. Some steel officials remain outspoken in their belief that profit margins are still too small, despite recent increases in extra charges. They point out that a substantial drop in the ingot rate could quickly raise unit costs above selling prices. Slashing prices to keep high cost facilities operating would result in cut-throat competition at its worst, continues this trade weekly.

Meanwhile, auto makers are in the vanguard of consumers pressing bids for more steel. Most of them are still juggling supplies to meet production and will have at least a full month's undelivered orders carrying over into the third quarter. They insist that current high production will continue.

Warehouse inventories have now reached their highest point since Sept. 1, 1949, although they are still suffering from imbalance. Sales are still very brisk, and despite record shipments from mills inventory accumulation is slow, this trade magazine reports.

Much depends on the outcome of steel wage negotiations to be resumed this week after a recess permitting management to prepare an answer to the steelworkers' bid for an increase. Official statements notwithstanding, best guess is that there will be a wage increase in the neighborhood of 10 cents an hour and a base price increase of about $4 a ton. Odds favor settlement without a strike, but peaceful agreement is not considered a sure thing, concludes "The Iron Age."

In the automotive industry the past week passenger car production registered further declines stemming from suppliers' strikes. According to "Ward's Automotive Reports," output in the past week totaled 101,637 cars compared with 132,157 vehicles in the previous week and 76,256 cars turned out in the like period of 1952.

Consumer credit in April soared to a new high of nearly $26.2 billion, $5.2 billion above a year ago, according to the Federal Reserve Board. Instalment credit, spurred by automobile buying, increased for the 12th straight month to a new peak of nearly $19.7 billion. This was $399 million higher than at the end of March and $4.9 billion above a year ago. Non-instalment credit

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THE MARKET . . . AND YOU

By WALLACE STREETE

Investor dissatisfaction with the second-half outlook was made broadly evident this past week. Several factors seem to have combined to upset the psychology of the marketplace. Confidence obviously has contracted sharply, at a time when the economic pattern has not shifted much if any from its plateau of sustained record-breaking activity. The factors which have made investors so cautious might in time spread to the business world, yet the price structure is so insulated as to be a world in itself. As long as psychological considerations dominate the trend, the pressure of liquidation undoubtedly will be maintained; and then eventually the time will come when the market will realize either that its fears are not materializing or that equities have been sold down beyond anything warranted by the outlook.

* * *

Stocks Not Over-Priced

If any one thing is clear, it is that stocks are not overpriced now. As adjusted for the contraction in the purchasing power of the dollar, both the industrial and rail averages now are well below their 1946 tops. Yields are more than 2½% above competing bond returns, and they are fully protected by a wide margin of safety in earnings, plus the backing of strong financial positions. Tremendous investments in plant and equipment since the end of the war have brought into being a new set of efficiency ratios. National disposable income will reach a new top this year, fully 6% above 1952, with this trend steadily forward. Loans on stocks are negligible, wiping out the bugaboo of 1929 and 1937, enforced liquidation, the downward pyramid. The international situation is such that while some overall reduction in the armament program may be possible, nothing of material importance along this line can be permitted for many years ahead.

* * *

Yet the price structure is headed downward, and very shortly will reach record-low price-earnings and dividend-price ratios, if it keeps on with the trend of this past several sessions.

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Investor Dissatisfaction Widespread

Investors certainly do not like the tax program. The im-

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Current Thinking of World's "Progressive" Businessmen

By A. WILFRED MAY

From ICC Congress in Vienna, Mr. May reports agreement as to importance of early currency convertibility, but accompanied by compromise provisions; and agitation for reduced tariffs. Relates private opinions of European industrial leaders doubting the full effectiveness of lowered tariffs in creating enough dollar reserves to end American aid; and on actual expansion of East-West trade that is feasible. Russians' attitude and behavior at Conference typify their non-cooperation in face of Political Peace Offensive.

VIENNA, Austria—Despite the "Great Debate" atmosphere attending a Western discussion of economic as well as political problems, this 14th Congress of the International Chamber of Commerce at the conclusion of its week-long deliberations has managed to come up with a generally agreed-on set of conclusions on important issues. And these findings do have current significance. They are backed by a 34-year-old private organization's attending membership of 1,000 leading businessmen, non-governmental trade organization officials and economists. They will be energetically publicized, brought before national legislatures and governmental bodies, submitted to the appropriate United Nations bodies, and, it is anticipated, to President Eisenhower personally by Warren Lee Pierson, President of Trans-American World Airlines, and Chairman of the United States Council.

A. Wilfred May

Convertibility

The question of convertibily of currencies is a focal point of the group's sounding off. Premised on its conviction that the return to convertibility "is no longer to be regarded as a distant goal. . . . [that] the stage is set for the adoption of decisive measures. . . . [and] unless the present opportunity is promptly and effectively seized, the whole movement of convertibility will receive a serious setback," the group offers a definite program of action. It wisely emphasizes primarily the action to get their house in order to be taken by countries working their way back to convertibility. Maintenance of financial stability is to be achieved by anti-inflationary credit policies, and balancing of budgets at levels which are compatible with required capital formation. Recommended as the decisive step which must be taken to restore convertibility is the introduction of *effective foreign exchange markets* under which a pattern of rates can be reached which corresponds to economic realities.

But "flexibility" and compromise via *management* philosophy are typically also leavened in. The blessing is given to intervention by monetary authorities to limit possible exchange rate fluctuations and ensure that the inflow and outflow of foreign exchange have the desired effect on the volume of domestic credit, and to have available measures to prevent capital flights.

The pursuance of healthy domestic policies, it is wisely stated, will enable the countries to liberalize their trade position, which is essential because no country can know the true value of its currency so long as it maintains severe import restrictions which impede the normal functioning of markets, and which are bound to lead to a reduction of exports as well as imports.

For countries with convertible currencies and ample reserves, three definite steps are urged. It is here that the entire ICC Congress' running theme of lowered tariff barriers is concentrated—in the statement:

"There can be no hope of a

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A Commercial Banker Looks At His Trust Department

By HAROLD H. HELM*
President, Chemical Bank & Trust Company, New York City

Prominent New York banker reviews development of trust departments by commercial banks, and points out their value to banking functions. Cites advantages to public of trust business by banks, and indicates that customers of trust departments of commercial banks are receiving services at a bargain. Advocates higher statutory trust fees, and stresses responsibilities of trust officers, particularly in their investment operations.

All of us, who are associated with metropolitan banks and who have grown up in large institutions, are familiar with the irony and, I must add, the humor with which the members of one department can speak of the other departments. There are wits all through our institutions who can picturesquely describe how every other department is getting a free ride. This is as it should be for, naturally, we all like to feel that our particular unit is the number one. So when I placed this name—"A Commercial Banker Looks at His Trust Department"—on my remarks, I was reminded by a member of our trust department that this should be a two-way street. He then told of a story that was published in a small town newspaper entitled "The Mulligans Look at Their Neighbors" with a footnote that in tomorrow's issue "The Neighbors Look Back." I am sure it was a lively exchange. Maybe before this convention is over, someone else will have a lot to say in looking back, but in this instance, my associate jumped at a conclusion, as I am an admirer of trust work and its accomplishments.


Harold H. Helm

In many institutions, trust departments traditionally predominate, and companionate banking departments have had to be developed. This is the case in a great institution like the Security Trust Co. of Rochester, which has done so well in building a fine banking department, and in Philadelphia, where the grand old Girard Trust Co. arranged a merger to obtain a thriving banking business and round out its facilities. There are many similar examples in New York City and throughout our state and the country. In most cases though, trust departments were organized and had to be developed, as was our own experience. In these cases, it has often been like a boy finding it difficult to have his maturity recognized in his home town. The neighbors cannot realize that he has really come of age. Fortunately, this was brought home to us by some outside publicity back in 1950, when we moved our Fiduciary Division and our Investment Division from 165 Broadway to our newly acquired and better located office at 30 Broad Street. The newspapers had headlines and wrote stories about the transportation of nearly $5 billion of securities through the streets. Our banking officers, who had considered themselves the ruling elders, looked askance and had to pinch themselves to realize that our fiduciary assets of all kinds had grown and far exceeded those of the banking department. Our trust officers beamed and realized they had come into their own. These comparative figures size-wise are typical, of course, of our neighbors. Earnings-wise they are not comparable to the banking department, and that is one of the points I want to cover today.

Why Trust Departments?

Trust Departments, like banks, owe their organization and their existence to a need for service. Our own predecessor, the N. Y. Chemical Manufacturing Co., got legislative permission to have a banking department back in 1823, because there was a need for deposit and loan facilities. In 1918 laws were passed giving national banks permission to have trust departments and we, like so many others, qualified promptly. Our action was somewhat defensive, as we wanted to stop our personal customers from leaving us and arranging for fiduciary services with other institutions. We also wanted to be able to serve our corporate clients as trustee, transfer agent, etc. and not have to share their friendship with others who were prepared to give them a necessary service. Our motive was to give them a complete service and, as someone described it, not be compelled to introduce our best girl to our roommate. We quite properly felt that there was too much possibility that they form an affinity. I don't need to tell you that these trust services and banking services now overlap so very much that practically every commercial bank and every trust company is exerting its full effort to become a completely rounded institution.

Basically, we are a part of what might be called the service industry. To be of the most use in our communities, we must make our services as broad as possible in the financial field. In addition to this defensive purpose, there has usually been a community need for additional fiduciary facilities. In many cases recently, it was this need for additional fiduciary facilities that prompted the organizing and the giving of charters to new banks. I emphasize this because I think it most important that banks and other financial units should be chartered, only because their services and facilities are needed, and I distinctly believe that they are only successful if they prove their constructive community usefulness. If a commercial bank does not have a trust department, I urge it to consider carefully whether there is a real need for additional fiduciary facilities. The decision may be that an expansion and development program may more constructively and more profitably be in some other direction. We should not for one moment forget that the larger our fiduciary business, with accompanying exposures, the more of our capital should be considered necessary for allocation to it. Many of us have the feeling, too, that our trust clients, especially our personal trust clients, get the biggest bargain we offer.

Features of Trust Department

Many features might be discussed in our look at a trust department. Time today will only permit a few. I put these to you in the form of questions and in this order:

(1) Why would anyone appoint an individual trustee?

(2) How should we organize the investment unit of the trust department?

(3) How shall the senior officers participate in the development and operation of the department?

(4) What contribution should we expect from the trust department toward the bank's earnings?

Referring to the first question, it is difficult for me to understand why banks have any serious competition from individuals for trust appointments. In the matter of corporate trusteeships, there actually is litte competition, but these same reasons apply fully to personal trusts and estates. Where is it possible to acquire in an individual, no matter how experienced, the following essential requirements:

(a) Continuity of management—without the expense and adjustments that would come with the death of an individual trustee.

(b) Practically unlimited financial responsibility.

(c) Staffs of men experienced in the many complex problems of

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*An address by Mr. Helm before the New York State Bankers Association Annual Convention on board the SS Queen of Bermuda, May 24, 1953.

Railway Preferences

By IRA U. COBLEIGH
Author of "Winning in Wall Street"

A few short lines on railway preferreds; the values and yields they offer, and the relative disdain with which they have been treated by investors.

It is, of course, classic to distinguish between those persons seeking a fast speculative buck in our share markets, and those deploying saved monies for safety and a reasonable income consonant with same. In the field of railroad securities, however, this effort at basic distinction has been muddied by the speculative splash of railroad commons, many of which have, in a fancy way, gained great altitude and left the preferred issues to flounder in a twilight zone between the romance of a common stock, and the income reliability of a good railway bond.


Ira U. Cobleigh

Because of the fact that railway preferreds have been so obviously ignored in recent markets, this piece is specifically dedicated to them. After all, with the finest four-month earnings' figures in many years being racked up this spring, it's just a little silly that so many preferreds stay motionless, particularly when a number have convertible, or profit-sharing, features that link them so vitally with common stocks.

If you pause to examine the railway record, you'll notice that a great majority of common stocks in this field are now selling well above their 1946 highs (except perhaps N. Y. Central and Penn RR.) but the preferreds, save for "reorgs" like Missouri Pacific and Central of Georgia (which sold for 18 in the fall of 1950) have done virtually nothing to translate vastly improved railroad solvency and earning power into higher price quotations.

This is a little unrealistic since railway preferreds should actually reflect improvement faster than commons, because they are closer to the cash register, and the yields of a number of them should have attracted purchase far ahead of equivalent industrial equities of a preferential nature. But, alas, investors remember the railway failures of the early 'thirties, and even until this day they refuse to recognize the vast debt reduction, the whacking improvement in efficiency, and the $100 billion total postwar expansion in U. S. industry, which, taken together, place railroad securities on a higher level of quality and reliability than at any time in the last 20 years.

Features of Railway Preferreds

Moreover, to those who like diversity or sort of "straddle" in their security holdings, where can you find a more bizarre assortment of options on future earnings and income than among railway preferreds? You can secure here a straight unrestricted cumulative preferred, a preferred cumulative for three years, cumulative if earned, non-cumulative, participating, profit sharing, or a convertible preferred. And voting power and call and sinking fund provisions are all over the lot. What do you want; quality, reasonably assured income, fancy income, or alluring prospects of speculative gain? "Ye pays yer money and yer takes your choice."

Union Pacific

If all you want is reasonably assured income, then you ought to look at Union Pacific $2 preferred at 45, or Atchison $2.50 at 52. Both of these elegant income producers are non-cumulative, but they make up for this technical drawback by fabulous earning power. For example, Union Pacific preferred earned its dividend 17 times in 1952 and Atchison, 11; and both have paid for years. Just because UP preferred is down from 50¼ in 1952, and Atchison $2.50 down from 58, does not mean that these premier preference items are in a *"cul de sac."* These price dips are just a natural, and quite obvious reflection, of higher interest rates. Both issues are non-callable, and both roads, top-flight companies.

Baltimore & Ohio

Reaching a little higher in the yield department, we have Baltimore and Ohio $4 non-cumulative, non-redeemable preferred which has gained a lot of stature recently. For a long stretch, from 1932 to 1947, this issue languished without benefit of dividend declarations. One dollar was paid in 1948, none in 1949, $5.00 in 1950 ($1 for 1949 earnings) and the stated $4 in 1951 and 1952. But the picture now is a lot clearer with actual earnings per share an impressive $46.39 for 1952 and running even better this year. Of the major Eastern roads B & O has in the past two years, done probably the best job in debt reduction ($90 million since 1941), cost control, and dieselization (now above 75%). Assuming continued ability to earn and pay $4, the yield of 8.7% on BO preferred currently is by no means uninteresting.

New Haven

A lot of very nice things have been said lately about New Haven. The management is highly cost conscious and probably at no time in New Haven's long and somewhat checkered career has the physical condition of the property been so excellent. Cash position, if you include capital and reserve accounts, is solid; and this fact, together with projected 1953 per share earnings of nearly $20 on the $5 preferred, suggests that something more may be done about this dividend arrears which by July 1, will equal $10.50. Assuming merely the regular $5 (cumulative if earned) the current yield on New Haven preferred at 57 is 8.75% and hope for a few extra bucks declared to nibble away at the arrearage is not unjustified. Not only that, but there's another gimmick here; this nice high yielding preferred is convertible share for share into the common. A glance at today's NYSE quote may cause you to pooh-pooh the worth of this conversion feature. If so, just turn back to the financial pages of five years ago when Denver & Rio Grande $5 preferred looked miles away from the conversion payoff window. Look at it today. There are a lot worse securities being bought for income purposes than V preferred.

Chicago, Milwaukee

For even fancier yield, gaze upon Chicago, Milwaukee, St. Paul & Pacific $5 non-cumulative participating preferred which sells on the NYSE at 44 to yield a king-size 11.6% on the $5 dividend paid last year. The payment

record is quite good. Since 1946 at least $4 was paid in every year and, in 1950, $7 was paid thanks to a special provision whereby the preferred participates in earnings with the common.

The Milwaukee road has steadily hammered away at transportation costs by dieselization and improved yard efficiency; and the road should show per share earnings for the preferred substantially above the $9.40 of last year. There are 1,118,652 shares outstanding callable at 100. An active issue, ST preferred has ranged from a high of 82¾ in 1946 to a low of 17 in 1949. Technically it's a substantially better security today than in 1946.

Chicago & Northwestern

Another high yielder is Chicago & Northwestern preferred. It's a little hard to pinpoint the yield as this is a $5 preferred cumulative only to the extent earned. Current outlook is for a 1953 earnings to support a dividend of at least $3.25 and if this is a good guess, then the yield at the price of 40 would be around 8.3%. Earnings predictions on NW are always a bit baffling since the first few months usually show a loss. For the first six months last year, the loss was over $9 a share on the common. This year things on NW are going lots better. They've got a new president who aims to correct what has been a very high transportation ratio; and he's making real progress along those lines. For April this vital ratio was reduced from 49.3% to 43.4%. The target they're shooting at is a 40% ratio and if they hit that you may expect a quite dramatic upgrading of NW net.

Custom here has set the dividend payment each March for the distribution of preferred dividends, as indicated by the earnings of the preceding year. Thus the $3.25 per share paid March 6, 1953 is the payout on 1952 earnings. But if 1953 is as good as some analysts have prophesied, another payment might be possible in December, and the full $5 might even be declared next March. And just to sweeten things up NW preferred is also convertible share for share into common. Although obviously speculative NW preferred has considerable income bearing merit at the 40 level. I think it sold at 76 in 1946.

Some Other Companies

For those who feel that this piece has over-stressed the somewhat marginal issues in the interest of exalted yields, perhaps I should also refer you to some of the better grade shares: Southern Railway $5 preferred at 78 yielding 6.4% and Wabash 4½% preferred at 64 yielding 7%, have excellent dividend coverage. Then if you want to stray beyond our borders, you might look at International Rys. of Central America 5% preferred with arrears of $41 a share, now selling at 60½. There's been some political trouble on the line, what with Guatemala turning pinko, but earnings in the last year were over $8 a share. Amount of dividend declarations for this year is uncertain.

It does seem that railway preferreds have been neglected partly because their shares were for the most part never sold or underwritten, but delivered in reorganization. Also it just has not been possible to reinstill in the minds of mid-century investors, the confidence in railway securities so prevalent in the mid-twenties. The earnings are there today, however, for all to see and latching onto selected carrier preferreds is certainly not the stupidest thing you could do under the uncertain market conditions of the present. It may be a good time to exercise a preference for railway preference shares.

COMING EVENTS

In Investment Field

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.

Dealer-Broker Investment Recommendations & Literature

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

Attorneys' Investment Letter—Designed for attorneys to equip them better to advise their clients on investment problems—discusses technical matters too frequently understood only by professional investors, such as formula plan of investing for trust accounts, advantages and disadvantages of discount tax exempt bonds, stocks with dividends partially or completely tax exempt, etc.—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Canadian Stocks—Bulletin—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Cigarette Makers—Analysis in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue are discussions of **Bank Stocks** and **Seasonals in Stocks**, and a list of low priced stocks. In the current issue of "Gleanings" is an analysis of **Alleghany Corporation** and a list of **Favored Stocks.** Also available is a detailed analysis of the **Beryllium Corp.**

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

Graphic Forecasts—Stock, grain or cotton forecast—$70—including free monthly digests to the end of 1953—W. D. Gann Research, Inc., Dept. C-143, Box 656, Scarsdale, N. Y.

Helicopter Industry—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Inflation and the Investor—Literature—Kidder, Peabody & Co., 10 East 45th Street, New York 17, N. Y. Also available is the **Favorite Fifty**—Analysis of the 50 listed stocks most popular with professional management—relative values since 1947.

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.

"Research" Stocks—Bulletin—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

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Aluminium Limited—Study—Dominion Securities Corporation, 40 Exchange Place, New York 5, N. Y. Also available is the June issue of "Investments" analyzing business conditions and the economic development of Canada.

American Nepheline Ltd.—Analysis—A. G. Edwards & Sons, 501 Lexington Avenue, New York 17, N. Y.

Asbestos Corp., Ltd.—Memorandum—Greenshields & Co. Aldred Building, Montreal, Can.

Augusta Chemical Company—Analysis—Graham, Ross & Co., Inc., 82 Beaver Street, New York 5, N. Y.

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

Brunswick Mining & Smelting—Memorandum—Intercity Securities Corp., 50 King Street, West, Toronto, Ont., Can.

Canadian Breweries Ltd.—Memorandum—McCuaig Bros. & Co., 276 St. James Street, W., Montreal, Can.

Collins Radio Company—Analysis—Stieglitz & Co., 40 Wall Street, New York 5, N. Y.

Crampton Manufacturing Company—Bulletin—Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

Eastern Industries Inc.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a bulletin on **Compo Shoe Machinery Corp.**

Food Fair Stores, Inc.—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

General Telephone System—Brochure—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

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

International Utilities Corporation—Review—Ross, Knowles & Co., 330 Bay Street, Toronto, Can.

Interprovincial Pipe Line Co.—Memorandum—Doherty Rroadhouse & Co., 255 Bay Street, Toronto, Can.

Kellogg Company—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Laclede Christy Co.—Analysis—H. E. Herrman & Cohen, 14 Wall Street, New York 5, N. Y.

Life Insurance Company of Virginia—Analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

Mississippi Power & Light Co.—Memorandum—John C. Legg & Co., 22 Light Street, Baltimore 3, Md.

Missouri Pacific—Bulletin—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

New York Susquehana & Western Railroad Co.—Reappraisal—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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

Quemont—Report—R. A. Daly & Co., 44 King Street, West, Toronto 1, Ont., Can.

R. K. O. Pictures—Data—Ferris & Co., First National Bank Building, Dallas 1, Texas. Also available are data on **Bausch & Lomb Optical Co.**

Tokyo Rayon—Data in current issue of "Stock Bulletin," Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan. In the same issue are data on **Tohoku Pulp** and **Onoda Cement.**

Trans World Airlines, Inc.—Analysis—($5 per copy)—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Union Carbide & Carbon—Report—Granger & Company, 111 Broadway, New York 6, N. Y. Also available are reports on **Climax-Molybdenum Company,** and **Vanadium Corporation of America,** and an illustrated brochure on the uranium deposits of the Colorado Plateau.

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.**

Western Natural Gas Co.—Memorandum—Rotan, Mosle & Moreland, 705 Travis, Houston 2, Texas.

NSTA Notes

NSTA ADVERTISING COMMITTEE

Harold B. Smith, Pershing & Company, New York City Chairman of the Advertising Committee of the National Security Traders Association, has announced the appointment of the following Advertising Chairman for Affiliated Associations for 1953:

Alabama Security Dealers Association: Nolan C. Darby, Jr., Merrill Lynch, Pierce, Fenner & Beane, Birmingham, Ala. and Alonzo H. Lee, Sterne, Agee & Leach, Birmingham, Ala.

Arizona Association of Security Dealers: William Sorrenson, Merrill Lynch, Pierce, Fenner & Beane, Phoenix, Ariz. and Orville S. McPherson, Henry Dahlberg & Co., Tucson, Ariz.

Bond Club of Denver: Gerold D. Bachar, J. A. Hogle & Co., and John P. Haggerty, Bosworth, Sullivan & Co., Inc.

Bond Club of Louisville: Charles C. King, The Bankers Bond Co., and Russell Ebinger, Wagner, Reid & Ebinger, Inc.

Bond Club of Syracuse, New York: Everett W. Snyder, E. W. Snyder & Co., Syracuse, and Warren R. Wallace, Fayetteville, New York.

Cincinnati Stock & Bond Club: George F. Oswald, Smart, Clowes & Oswald, Inc., and Harold Roberts, John E. Joseph & Co.

Cleveland Security Traders Association: Fred A. Shorsher, Ball, Burge & Kraus, and Robert C. Weaver, Hornblower & Weeks.

Florida Security Dealers Association: F. Boice Miller, B. J. Van Ingen & Co., Miami, Fla. and Clyde C. Pierce, Pierce-Carrison Corp., Jacksonville, Fla.

Georgia Security Dealers Association: Lex Jolley, Johnson, Lane Space & Co., Inc., Atlanta, Ga. and Samuel Preston, Hancock, Blackstock & Co., Atlanta, Ga.

Investment Dealers Association of Houston: William H. Minar, Rotan, Mosle and Moreland.

Investment Traders Association of Philadelphia: Lewis P. Jacoby, Jr., Thayer, Baker & Co. and John C. Carothers, Jr., H. M. Byllesby & Company, Incorporated.

Kansas City Security Traders Assn.: Theodore F. Wagner, Harris Upham & Co.

Memphis Security Dealers Club: Howard C. Ross, Leftwich & Ross, and Francis D. Schas, Bullington-Schas & Co.

Nashville Security Traders Association: George M. O'Callaghan, Equitable Securities Corp. and N. Peyton Evans, Cumberland Securities Corp.

New Orleans Securities Traders Association: Joseph P. Minetree, Steiner, Rouse & Co.

Pittsburgh Securities Traders Association: John R. Klima, Reed, Lear & Co., and H. Sheldon Parker, Kay, Richards & Co.

San Francisco Security Traders Association: Albert A. Hewitt, First California Co., Inc.

Seattle Security Traders Association: Sidney Saunders, Foster & Marshall, and Paul Johnson, Blyth & Co., Inc.

Securities Traders Assn. of Detroit & Michigan, Inc.: Herbert Schollenberger, Campbell, McCarty Co., and John O. MacFarlane, Manley, Bennett & Co.

Security Traders Association of Los Angeles: Charles L. Holton, Holton, Hull & Co., and Neiland B. Van Arsdale, Blyth & Co., Inc.

Security Traders Association of New York, Inc.: Soren Nielsen, New York Hanseatic Corp. and Reginald J. Knapp, Wertheim & Co.

Security Traders Association of Portland, Ore.: Robert W. Pitt, Blyth & Co., Inc., and George F. Patten, George Patten Investment Co.

Security Traders Club of St. Louis: Earl Hagensicker, Reinholdt & Gardner, and Herbert M. Roach, Wibbing & Co.

The Securities Dealers of the Carolinas: Robert D. King, First Securities Corp., Durham, N. C., and Arthur C. McCall, Alester Furman Co., Greenville, S. C.

Twin City Security Traders Association: Fred S. Goth, Irving J. Rice & Co., St. Paul, Minn., and Kermit B. Sorum, Allison-Williams Co., Minneapolis, Minn.

Wichita Bond Traders Club: Warren Cortner, The Rauson-Davidson Co.

The balance of the Affiliate Chairmen will be announced shortly.

Raymond F. Revell With White, Weld & Co.

Raymond F. Revell

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Raymond F. Revell has become associated with White, Weld & Co., 231 South La Salle Street. Mr. Revell was formerly with Barclay Investment Co. as industrial and utility stock trader.

Forest W. Shipley With Edgerton, Lofgren

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Forest W. Shipley and Eli Goulden have become associated with Edgerton, Lofgren & Co., 609 South Grand Avenue. Mr. Shipley was formerly manager of the trading department for Edgerton, Wykoff & Co. and in the past was an officer of Quincy Cass Associates. Mr. Goulden was also previously with Edgerton, Wykoff & Co.

Forest W. Shipley

W. A. Wood Gov. of Detroit Stock Exch.

Warren A. Wood

DETROIT, Mich.—At a meeting of the Governing Committee of the Detroit Stock Exchange held on May 26, 1953, Warren A. Wood of Baker, Simonds & Company was elected Governor to fill a vacancy until the next annual election which is to be held on Jan. 12, 1954.

Troster, Singer Wire To Amos Sudler Co.

Troster, Singer & Co., 74 Trinity Place, New York City, announce the installation of a dircet Private wire to Amos Sudler & Co., of Denver.

Joins Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Cornelius M. Harper, Jr. is now associated with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

From Washington Ahead of the News

By CARLISLE BARGERON

Every now and then a Congressional committee, either a regularly constituted one or a special investigating group, comes up with the startling information that our allies are doing business with Communist China or the Iron Curtain countries. As concerns the latter we have been getting these periodical surprises ever since the beginning of the so-called Cold War, and in the case of Communist China, ever since the Korean War broke out. In every instance the headlines scream, members of Congress voice indignation and the executive branch of the government blushes a crimson red, and seeks to explain that it is all a very delicate matter which is the subject of constant discussion with the culpable governments and satisfactory results are being gradually obtained. Don't talk about it; don't rock the boat.

Carlisle Bargeron

The recent McCarthy charges of British ships hauling strategic materials to the Chinese Communists, in some instances even transporting Red troops, was little if any different from the exposures we have had in the past. They came, however, at a time when the relations between Britain and this country were unusually strained and they caused considerable embarrassment to the respective governments. This time the British Ambassador to Washington sought to explain matters away, without, I suspect, too much success.

Incidentally, and solely as a matter of side interest, these charges were based on an investigation made by Senator John Kennedy's brother, a member of the McCarthy committee staff. The Kennedy family, whose head, Joseph P. Kennedy, served as Ambassador to Great Britain, is not noted for its love of that country. The elder Kennedy, who was serving when World War II began, sought by might and main to dissuade the British, repeatedly telling them they could not count on our coming in.

But insofar as young Kennedy's investigation of British-Communist trade is concerned, there is no reason to doubt that he had his facts substantially in hand.

This business of trading with the enemy comes, in the eyes of the leaders of the governments involved, including our own, under the head of realism. But it is a realism that our own leaders feel they can never explain to the people as a whole and it is something they wish would quit coming up. As a matter of plain fact our own Congress as late as 1948 was having a dickens of a time stopping the trade between our own government and Russia, not private business concerns, but government agencies.

It is such realism as that in World War II, when British agents would sit with notebook in hand while our Navy bombarded Pacific islands to record the damage we did to cocoanut and rubber trees owned by British interests in order to submit us a bill, or in World War I, when certain German munitions plants were spared.

What our government in its capacity of global leader is now confronted with is the fact that our allies have got to trade with somebody or depend upon us completely for support and our patience in the matter of support is running short. As for the new slogan, "trade not aid," it sounds very nice but we simply cannot replace the market which would be taken away from our allies by a blocking off of so much of the world as is under the domination of Russia. Thus a trade between Western and Eastern Europe is continuing and it may be expected steadily to increase, and as it increases we will find France and Britain less inclined to follow our global leadership than they are now.

This is pretty much the situation as regards Asia. The British need the China market. And you can bet your boots they will continue the trade with the Chinese Communists and that our State Department and Mutual Security officials will know the trade is going on and understand it, though they can't explain it to the public.

Britain is willing to lend a few troops to the Korean mess as the price of our good will but it is a hard-boiled practical proposition with them. They have got to have their trade.

Our State Department and Mutual Security explainers like to say the trade does not substantially involve strategic materials, but the expert hasn't yet been produced who can draw a line between what is strategic and what is not. Anything that helps a nation to survive helps it to wage war.

It is increasingly apparent that Britain and France have no taste for the Cold War, except for the billions of dollars it has brought to them. They would like to forget World War II.

Their governments are not in the position ours is in. If asked by their people what they accomplished with that war they can say they accomplished the prevention of their destruction. Our government, instead is faced with a growing disillusionment such as followed World War I. They are fearful the country will fall back into "isolationism" if they wipe the slate of World War II clean. They can't, as a result, let go of the Cold War.

But there are increasing indications that as time goes on the argument in this country as to whether we should "go it alone" in Asia or continue to abide with our allies, will become academic. The allies will refuse to go along with us.

Joins du Pont Homsey

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Lloyd A. Heldman has become associated with du Pont, Homsey & Company of Boston. Mr. Heldman was with Coburn & Middlebrook, Incorporated for several years.

Martin Inv. Co. Formed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—The Martin Investment Company has been formed with offices in the Trust Building to engage in the securities business.

Major Types of Recession

By ARTHUR M. WEIMER*

Dean, School of Business, Indiana University

Dean Weimer lists as six major types of recession: (1) Inventory Recession; (2) Financial Crisis; (3) Foreign Trade Recession; (4) Consumer Durable Goods Recession; (5) Investment Cycle; and (6) Housing Cycle. Says it is not quite clear what kind of recession, or what combination of them is now likely to develop.

The short run business outlook continues to be bright. Business activity is maintaining the high levels reached late last year, and in some areas showing moderate further increases. Gross national product (total value of all goods and services produced) is preliminarily estimated at an annual rate of $363 billion in the second quarter of 1953, compared with $361 billion in the first quarter and $359 billion in the fourth quarter of last year. These small increases represent a gain in real output since both wholesale and retail prices, on the average, have declined slightly.

Arthur M. Weimer

Industrial production is holding steadily at over 240% of the 1937-1939 average. Employment continues high and unemployment is well below the two million mark considered by many to be the normal minimum. No major work stoppages have occurred to upset economic equilibrium, although negotiations now in process in several major industries may possibly result in strikes.

In spite of the continued high level of economic activity, the possibility of a recession continues to be a favored topic of conversation. Just what kind of recession, if any, is likely to develop is not quite clear. In years past, we have experienced at least six major types of depressions, sometimes singly, sometimes in combination. The depression of the 1930's was a combination of all six.

I
Inventory Recession

An inventory recession results from a general, overly-optimistic accumulation of business inventories, usually accompanied by rising prices. Inventories eventually become excessive in proportion to sales, and an inventory readjustment period sets in. The 1949 adjustment was an inventory recession. Last fall the rapid rise in business inventories created some fears that an inventory recession might be in the making. This spring, however, inventories have leveled off, while sales have continued to rise. An inventory recession, therefore, does not appear to be a prospect in the immediate future.

II
Financial Crisis

Periods of extraordinary speculative activity, accompanied by unwise, large extensions of bank credit, and frequently by a stock market boom, are likely to result in a financial panic which may bring on a serious depression. There is presently no evidence to indicate the likelihood of a financial panic. Although credit expansion has been substantial, our financial institutions are in a strong position. Furthermore, the insurance of bank deposits and accounts in savings and loan associations is a protection against loss of customer confidence.

III
Foreign Trade Recession

Some recessions are brought on, or aggravated, by adverse economic or political developments in other countries. International developments contributed heavily to the recession of 1924. In 1931, there were indications of recovery in this country, but they were shattered by disastrous international developments.

There is some evidence that a foreign trade recession may be in the making. U. S. exports have been on a declining trend since early last year, and the financial position of many foreign countries is not satisfactory. It seems probable, however, that developments in foreign trade are more likely to aggravate a recession started by other factors, than to be the initiating cause.

IV
Consumer Durable Goods Recession

This type of a recession is comparable to an inventory recession, except that it involves "consumer inventories" of long-life goods, the purchase of which can be postponed. During a period of boom psychology, consumers satisfy their most immediate wants and markets become "saturated."

Today, there is some possibility of this type of recession developing. Production and sales of consumer durables have been very high ever since the end of the war. Some saturation of markets is indicated by the decline in the percentage of disposable income spent on consumer durable goods from 15.5 in 1950 to 10.9 in 1952.

V
Investment Cycle

Of all types of expenditures, business expenditures for new plant and equipment are the most sensitive to psychological factors. We have had an extraordinarily high level of investment since the war, accentuated in the last two years by the accelerated tax amortization program. There are some evidences of impending overcapacity, or at least adequacy of capacity at current levels of demand. While new plant and equipment will be needed to replace worn out and obsolete facilities, and to take advantage of new products and new processes, investment for these purposes can always be postponed. If we are to have a recession, a decline in business investment is likely to be the most important factor, but no such decline is yet in sight.

VI
Housing Cycle

Between 1925 and 1932, the rate of new house building declined by 90%. While it is not clear whether this decline was a cause or a result of the general business decline, anything approaching this degree of slump in the home building industry now would certainly have serious repercussions on the whole economy. Home building now should be somewhat less subject to these extreme cyclical changes, however, in part owing to the stronger position of home financing institutions. Overbuilding seems more likely to become a local problem, and one affecting particular segments of the market, rather than a cause of a nation-wide recession.

*Digest of an address by Dr. Weimer at the Southeastern Group Conference, U. S. Savings and Loan League, Baltimore, Md., May 23, 1953.

Needed: A Reaffirmation of Functions of Financial Institutions

By ERNEST H. WATSON*

Retiring President, New York State Bankers Association
President, First Westchester National Bank, New Rochelle, N. Y.

Mr. Watson reports year of unusual legislative action and spirited activity along with greater solidarity among membership of New York State Bankers Association. Outlines controversy over savings banks' branch extensions, and warns full impact of savings banks' expansionist movement is highly detrimental to small town banks. Urges banks join "in crusade" against the movement, and calls for a clarification of operations of each class of banking institution.

Well, what kind of a year has it been?

First, it has been a year of unusual legislative action; secondly, it has been a year of spirited activity, and third, it has been a year which has seen many changes on banking's road of destiny. If there is one overriding conclusion, it is this: The Association has solidified as never before in its history. It is gratifying to me to see the wonderful way in which the membership has pulled together in common purpose.

Ernest H. Watson

The Association has only one objective and that is a strong, sound, healthy banking system, which operates in an environment conducive to good business practice, with opportunity to freely compete, grow and prosper side by side with institutions and organizations of our peers. It is our endeavor to safeguard this freedom so that our communities and the people of the state may be serviced by the finest financial institutions in the world.

The Association has no axe to grind. It was created simply to serve as your tool. Your Council of Administration is designed to act in your behalf, the Association's staff to carry out its directives.

Wants No Friction

The last thing in the world that your Association would wish to do is to take issue with any segment of the banking fraternity which results in "friction," especially in the eyes of the public, on whom we depend for our livelihood.

Your Committee on Branch Policy is of the same over-all philosophy. With this thought in mind, they sat down around the conference table to find areas of mutual agreement with the savings banks. This was to no avail. The Committee then appointed a smaller committee to discuss the differences with a subcommittee of the savings banks. Again it was to no avail. Every effort was made to arrive at an amicable solution. The Branch Policy Committee undertook a two-year study, county by county, on the adequacy of savings facilities.

Despite all of this effort, no rational solution was deemed possible, in view of the savings banks' determination to seek expanding branch privileges. Your Committee on Legislation likewise extensively examined the situation with the result that the Association was charged with "studying the matter to death." The outcome of the 1953 Legislative Session is now history. Al Muench and Leo Dorsey did a remarkable job, even though operating under severe handicaps. The savings banks suffered a setback but they will not be diverted from their expansionist plans. When the branch bill was withdrawn during the week of March 18th by the Superintendent of Banks, he said in a statement: "In the coming months all banking should try to achieve agreement." Commercial banks subscribe to that.

On March 30, Charles R. Diebold, President of the Savings Banks Association, is reported to have seconded Superintendent Lyon's proposal. Here is what Mr. Diebold is reported to have said:

"The basic problem of the banking industry now is that there are just too many types of banking institutions with overlapping power and function.

"The scrap will continue to widen unless there's some sensible discussion and the issues are understood clearly.

"Public interest is of primary importance. And it can best and only be served by cooperation with the State Banking Department in attacking the underlying causes of the friction between the two."

Mr. Diebold is reported to have urged that the discussions be broadened to include all institutions—state and national commercial banks, big city and country banks, savings banks, state and Federal savings and loans.

"Each type of institution was established with a particular objective in mind. But with the continuous growth of business and banking activity, operations of these institutions began to overlap one another.

"New rules were set up as time progressed. The result has been that many of these bank groups have been permitted to enter into phases of the other fellow's business."

Mr. Diebold hoped that out of such cooperative discussion a "restatement of powers and functions might be arrived at.

"Then and only then can there be more uniformity in thrift institution powers and practices and clear-cut definitions of the activities and services between thrift institutions and commercial banks."

The Size of the Savings Bank Issue

Yes, the savings bank matter has almost ceased to be a question of branches. It is bigger than that. It is a question, as Mr. Diebold said, of a restatement of the powers and functions of each type of institution, with clear-cut definitions of the activities and services between thrift institutions and commercial banks.

Unfortunately, all of the savings bankers are not of this mind.

On May 12, Robert M. Catharine, retiring President of the National Association of Mutual Savings Banks, and President, Dollar Savings Bank of the City of New York, as well as Chairman of the Legislative Committee of the Savings Banks Association, said in an address: "We do not intend to abandon the proposal for branch legislation in New York State. We will bring it forward again and again until it is finally successful."

There you have it.

What are we really up against? The Savings Banks Association represents 130 institutions, which hold deposits of $12 billion on behalf of seven million accounts. These institutions have no stockholders, they hold no annual meetings of, or give any accounting to their mutual owners. Their trustees are self perpetuating. Gentlemen, they are accountable to no one.

The Savings Banks Association collects in annual dues better than $200,000. In addition, they have a statewide advertising program with a budget in excess of $350,000. Gentlemen, these few institutions are contributing over a half-million dollars annually to their association to further their collective aims.

Need I say more? As you can see, they mean business.

Against this staggering, ambitious program, your Association, the New York State Bankers, with five times as many members, has an annual budget of only $130,000, and that is all inclusive. The facts speak for themselves. Only through frugal management, determination, energetic and vigorous activity by the Association and a united membership has it been possible for us to hold our own. Yes, the facts do speak for themselves. Only the very wonderful cooperation and support rendered by individual banks acting collectively at the local level has made it possible for the Association to safeguard and preserve your interests.

You have all received the Association's documented booklet—"Independent Bank Survival — The Issue for Country Banks in New York State." It is not necessary for me to dwell on the truisms it contains. The facts are all there. They speak for themselves.

The Impact of Subsidized Savings

The full impact of the subsidized savings banks' expansionist movement may not affect your individual institution now, but gentlemen, it is writ on the legislative walls — Look out for the future.

Let's not rest on our laurels. We must be prepared. In this twilight period between legislative sessions, we must mend our fences. Don't wait until January of '54. Get acquainted now with your legislators. Renew and continue the contacts you have already made. This is a matter for each of us. The time to act is now.

We must have unity of purpose as never before. We must revitalize our organizational setup, particularly on the county level, where in the final showdown it counts. It is here that we reach into the grass roots—here lies our strength.

The effective channel for communication must be from the Association to the Group, from the Group to the county, and here, gentlemen, is where we are prone to fall down. Each county should have an active minute man, a man who will take the initiatife and follow through. We must reach our legislators, our educators, and our molders of public opinion. I was very disappointed to find that in many banks, outside of the executive officer, other officers and employees were completely unaware of the nature of the serious challenge facing the profitable existence of our commercial institutions. So one of the first things we can do is to cultivate our staff members, officers, employees, directors and stockholders, as well as our customers. In the final analysis, they are the ones who have the most at stake.

Let's not let the other fellow do it. Each of us should make it our own personal crusade. I cannot emphasize it too much that we must tell our own story or suffer by default. We have a just cause and it is in the community interest and welfare.

Certainly we do not object to competition—that is, competition that is competing on an equal basis, and not operating under special privileges and subsidies. Mentioning subsidies reminds me of a resolution passed by your Council of Administration back in 1951. Let me quote you one part of it.

"WHEREAS it was the general consensus of the 1950-1951 Council of Administration that at this critical time in the nation's history, with the dangers of a third world war conflict recognized by all, and with our government seeking every available source of revenue, the need for additional Federal income requires consideration of the taxation of previously tax-exempted financial institutions."

There you have it. When our country is in mortal danger from an unbalanced budget, when the unfair excess profits tax is being continued, and when individuals must forego tax reduction, certainly attention should be directed to see to it that all segments of our country are paying their fair share of the tax load.

The Fight Is Regrettable

I am truly sorry that the savings banks and commercial banks have had this parting of the ways. The "fight" we have just gone through was very regrettable and certainly doesn't help the banking industry in the public's eye. This is a big state. There is certainly room for savings banks and commercial banks, and all financial institutions to operate in complete harmony. What we need is a reaffirmation of purpose and function of each type of institution, spelling out the sphere of operation of each. We have lived together in the past. There is no reason why we cannot live together in the future. Let's hope it can be worked out.

This is your Association. As I said before, it is designed to serve you. Your support, individually and collectively, is its strength. The Association can't do the job for you alone. You must participate.

*An address by Mr. Watson before the 57th Annual Meeting of the New York State Bankers Association on board the S. S. "Queen of Bermuda," May 25, 1953.

With Glore, Forgan & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—William J. McGregor, Jr. has become associated with Glore, Forgan & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. McGregor was previously with F. S. Yantis & Co., Inc. and prior thereto was in the trading department of Hulburd, Warren & Chandler.

With Glas & Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—John H. Baldwin is with Glas & Co., Whitney Building.

Is America Going Bankrupt?

By J. PHILIP WERNETTE*
Professor of Business Administration, University of Michigan

Dr. Wernette, after discussing Federal Government's balance sheet and income position, along with impact of high taxation on economic progress, concludes United States is not going bankrupt, even in the broad concept of this term. Says nation is headed for great economic progress, better and richer living.

In the autumn of 1951, Dr. George Gallup put a problem to a cross section of adult Americans. He said, "Some people say the United States is spending so much on national defense and aid to other countries that the country is in danger of spending itself into bankruptcy. Do you agree or disagree?" The vote: Agree . . . 57%, Disagree . . . 30%, No opinion . . . 13% (Tot. 100%). Among those expressing an opinion, the respondents voted nearly two to one that the country was in danger of spending itself into bankruptcy. If the majority was right, it was and is a serious question, since the country is spending more money for these purposes today than it was then.


J. Philip Wernette

In analyzing this question certain important distinctions must be made. For one thing, we are entitled to ask whether the people meant by "the country" the Federal Government or the entire United States of America. We may also inquire what they meant by "bankruptcy."

The term "bankruptcy" is not a simple concept. It may be used in the balance sheet sense or in the income statement sense. In the balance sheet sense it means that the liabilities (other than proprietorship items) exceed the assets. In the income statement sense it means that not enough money is being received to pay the bills.

Let us apply these concepts first to the Federal Government.

The Government's Balance Sheet

In any ordinary accounting sense the Federal Government's balance sheet would show a condition of insolvency. The principal liability item would be some $222 billion of Federal debt held by non-governmental agencies. The asset side would show $24 billion in government corporations; but some of this amount represents loans to foreign interests which are not expected to be repaid. Another asset item would be real estate, including post offices, Federal buildings, dams, national parks, national forests, etc. One can only guess at the total value of these items, but it probably comes to a few tens of billions of dollars. Another asset would be military bases and equipment. If these were listed at **cost** the figure would be many tens of billions. If, however, they were included at **market value**, the dollar total would be small, provided that payment was expected to be made in cash rather than promissory notes.

It is virtually certain, therefore, that a balance sheet showing the assets and liabilities of the Federal Government would show the government to be insolvent.

This, however, would not be regarded as startling news, worthy of quick communication to press, radio, and television. All thoughtful persons realize that financing a major war is commonly done by borrowing a large part of the money, and, therefore, the end of such a war finds the government with a huge debt against which there are no corresponding physical assets. The intangible asset of freedom is counted as far outweighing the cost.

The size of the national debt, however, suggests danger to many people. Can it be repaid? Will it weigh us down? Is it an insupportable burden? Consideration will be given to these questions in a few minutes.

The Federal Government has another intangible asset which is important in a financial sense. This asset is its ability to tax, and it is this factor that basically stands behind the value of the national debt. The question may be raised at this point, however, as to whether taxation itself may not be damaging the national economy and, therefore, represents a truer meaning of the word "bankruptcy." This question will be taken up later on.

The Government's Income Position

Is the Federal Government facing bankruptcy in the income statement sense? Will it have enough money to pay its bills? In a superficial way the answer to this question is easy. The Federal Government, like any other sovereign government, need never run out of money to pay its bills. It has a method of securing money which is open to the citizenry only at grave risk. This method is simply to print whatever money is needed. This assurance that the Federal Government always can get the money that it needs in this way is, however, not at all reassuring to thoughtful people. They immediately wish to know whether such a maneuver would not lead to inflation which might in itself be disastrous. Mention of this possibility suggests yet another meaning for the term "bankruptcy" and this danger, therefore, will be considered later on also.

Can the Entire Nation Go Bankrupt?

Turning to the concept of bankruptcy as applied to the entire United States of America, we can see quickly that it is hardly applicable in the balance sheet sense to an entire nation. As a matter of fact, a consolidated balance sheet for the United States of America would show more than one thousand billion dollars of physical assets and a negligible amount of liabilities. Since almost all of the stocks and bonds of American governmental entities and American corporations are held in the United States they are liabilities to the issuers and assets to the holders. They would not appear, therefore, in a consolidated balance sheet. The balance sheet would show the true net wealth of the nation to be more than a trillion dollars.

In the income statement sense, the United States experienced trouble during the great depression of the 1930's which certainly could be described as poverty if not actually described as nearing bankruptcy. Such a depression, in both financial terms and in terms of real wealth and real income, is no mere paper affair. It is a genuine and serious matter. This, then, represents still another meaning for the term "bankruptcy"—the occurrence of a major depression. This danger will also be discussed in a moment.

We have seen so far that the term "bankruptcy" has relatively little significance in the strict financial sense when applied either to the Federal Government or to the United States of America as a whole. We have also seen that four types of possible economic disaster for which the word "bankruptcy" might be used in a non-technical sense. These four have been listed as (1) the national debt, (2) taxation, (3) inflation, and (4) depression.

Let us now examine these four types of economic disasters, and inquire into the extent to which they threaten the nation.

What of the Federal Debt?

Many persons are concerned about the national debt, and seem to believe that it threatens our progress. This view may not be put aside glibly with the traditional argument that the domestically-held national debt is really no burden because we owe it to ourselves. It is something of a burden, because the interest payments require $6 billion a year, and that means $6 billion of taxes. But there is another side to the argument. Most of the debt ($222 billion out of $265 billion) is held by non-Federal entities — individuals, banks, insurance companies, other corporations, and state and local governments. To these holders, the pieces of paper are **assets**, and to them the interest is **income**. A program of reducing the national debt would involve two difficulties: (1) higher taxes, in the beginning (but lower taxes later on); and (2) the need for the holders of the securities to find other investments. Both problems would be serious if the reduction were rapid; but could be handled if it were gradual.

It is worth remembering that the British national debt, at the end of the Napoleonic War, was twice as large as the British national income; nevertheless, Britain experienced in the follow-

Continued on page 28

*An address by Dr. Wernette before the California Bankers Association, Coronada, Calif., May 19, 1953.

Support Inflation Curbs!

By STANLEY A. NEILSON*
President, New York State Bankers Association
President, Bank of Gowanda, New York

Newly elected head of New York State Bankers Association calls on bankers to do everything in their power to support efforts of the Administration to curb inflation and stabilize the dollar. Upholds a "free market for money." Views further savings bank branch extension as damaging to local banks, especially in small communities.

It is indeed a great honor which you have bestowed upon me today, and I pledge that I will endeavor to the best of my ability to uphold the best traditions of our Association.


Stanley A. Neilson

Our Country is facing a critical period, and we bankers should do everything in our power to support the efforts of the Federal Administration to curb inflation and stabilize the dollar. I do not agree with the proposal of some twenty Democratic Congressmen that the Federal Reserve again support Government Bonds at par. Apparently everyone is in favor of a free economy except when it begins to affect his particular interest. A howl always goes up when it is proposed to eliminate supports or cut subsidies.

I hope the Administration may be able to withstand the pressure and allow interest to firm and the price of bonds to drop—if necessary—in order to establish a free market for money.

If we should again have Federal Reserve support of bond prices, I think the course of the dollar could well parallel that of the French franc. I hope it will not be necessary for us to go through the vicissitudes, which other countries have suffered, in order to learn that there is no profit in inflation.

I have confidence that men like Secretary of the Treasury, George Humphrey, and W. Randolph Burgess, Deputy Secretary of the Treasury, have the judgment necessary to properly control their actions in their endeavor to curb some of the excesses of the past.

We commercal bankers are also facing a critical period, as the savings banks have again thrown down the gauntlet in the matter of branches. This to my mind is only the forerunner of demands to make loans and eventually handle checking accounts. As Emmet Finucane said at our Midwinter meeting in January, "our backs are to the wall." Any further concessions may well affect every commercial bank in the State, from the largest in New York City to the smallest in the northern counties. It is up to each and everyone of us to put his shoulder to the wheel and help carry out the program which the Association may see fit to adopt. We must protect free enterprise from special privilege.

* * *

The advisability of continuing our stepped-up program of public and press relations has been dictated in recent days by the savings banks. There now can be no doubt that the Association's efforts to protect the traditional and legal functions of the commercial banks against the expansionist moves of the savings banks can no longer be seasonal, geared only to legislative sessions. They must be a year-round activity.

As recently as May 11, Robert M. Catharine, President of the Dollar Savings Bank of the City of New York, told 900 savings bank executives at the 33rd annual conference of the National Association of Mutual Savings Banks, in Washington, D. C., that "What we object to very strenuously is any attempt on the part of the commercial banks to restrict our growth in our own field."

Savings banks were organized as philanthropic institutions designed to foster the habit of savings by low income groups in our State. The emphasis was on safety not high interest return. For this reason they were given a privileged status, namely freedom from most taxation and exemption from reserve requirements. There was also a limitation of investments. They were allowed to invest in bonds of the U. S. Government, State of New York, and municipalities in New York State; also in mortgages on real estate in New York State. Deposits were restricted to $3,000 for any one person. In less than the last 25 years, limitations on deposits have been increased to $5,000, $7,500, $10,000.

Branches have been allowed in city where main office is located.

Many broadened investment powers even to permission to investment in common and preferred stocks.

Transmission of funds.

Issue life insurance.

Permitted to accept mortgages on certain residential properties at 80% of appraised value.

Permitted to make loans for modernization and rehabilitation of real estate.

Authorized to invest in FHA mortgages anywhere within the U. S. Hundreds of millions are invested outside of the State each year.

They have certainly knocked over a lot of fences to enlarge their field. Apparently Mr. Catharine considers the field of savings banks as infinite.

Savings banks already hold over 70% of the time deposits of the State and commercial banks hold less than 20%. Do the savings banks want them all?

He also stated:

"We do not intend to abandon the proposal for branch legislation in New York State. We will bring it forward again and again until it is finally successful. The public must be served."

There is a saying, "There are none so blind as those who will not see."

Will the public be served by destroying smaller commercial banks throughout the State and depriving communities of the many services which they now render?

Will the public be served by curtailing the loans of many of the smaller city and country commercial banks?

Our report shows that in 10 counties in the State, loans exceed private demand deposits and in 42 counties were 60% to 100%. In many country banks loans exceed private demand deposits. Obviously, private demand deposits are inadequate to meet loan demands and provide legally required reserves, to say nothing of adequate secondary reserves.

Will the public be served if agriculture and small business cannot obtain the loans necessary for their operations and which enable them to pay the salaries and wages from which most savings are developed?

An average country bank:

Cash	$1,000,000
(20% total deposits)	
U. S. Gov't	2,350,000
(47% total deposits)	
Loans	2,000,000
(40% total deposits)	
Capital	$450,000
Demand deposits	2,500,000
Time deposits	2,500,000

If this bank lost half of its time deposits in order to maintain the same percentages, it would have to cut its loans 25%.

Cash	$750,000
(20% total deposits)	
U. S. Gov't	1,850,000
(49% total deposits)	
Loans	1,500,000
(40% total deposits)	
Capital	$450,000
Demand deposits	2,500,000
Time deposits	1,250,000

In most country banks time deposits are much higher than demand deposits and the reduction of loans would be greater.

In any case, such reduction of loans would be in the nature of a serious depression in that community. Would that serve the public?

In my opinion the statement that the public must be served as the reason that the savings banks want more branches is a smoke screen. I believe there are only two reasons, namely, lust for power and desire to build up deposits in order to evade paying Federal income tax.

Mr. Catharine also stated:

"As an industry, we are not spending nearly as much proportionately as the commercial banks or the Federal savings and loan associations. It is highly important that we spend enough to do an adequate job and make every dollar count in our promotional efforts."

As to the accuracy of the foregoing statement, we report without comment only that earlier this month the newspaper, "The American Banker," announced that the Savings Bank Association of New York State has appropriated $325,000 to set up an intensive press relations effort. The money is to be devoted to courting public favor, with the view of inculcating the people with the savings banks' definition of their own importance to the general welfare.

This leads to a question raised by some of our members as to whether there is any room for compromise. Clearly, Mr. Catharine has declared an unyielding crusade which will not cease until savings banks achieve the expanded branch powers they seek. He has slammed the door of compromise with great emphasis.

And let us not forget the war chest of $325,000, to be spent by the savings banks in a press campaign designed to press their selfish interests. We are not prepared to say just how much press or public relations that sum will buy, but there is no doubt that it is a formidable sum.

The facts involved are self-evident. Commercial banks in the smaller cities and villages already are unable to meet the interest-rate competition from branch offices of the mutual savings banks because of unreasonable tax differential, as well as the statutory reserve requirements and regulatory restrictions placed upon them. Meanwhile, each new legislative show of favoritism to the savings banks imposes a new handicap on the commercial banks. The issue is clearly drawn:

Commercial banks, using private—or risk—capital, not depositors' funds, are striving to maintain their place in the efficient and constructive banking system which has been created in this State for the benefit of the entire public. The liberality of their interest rates is limited only by the precepts of sound banking. And commercial banks, while efficiently serving the community, operate in the traditional American spirit of competitive free enterprise.

Savings banks are prospering almost solely through special privilege, legislative favors and immunity in large part from taxes. There is little in terms of the broad public good in their present expansionist role. Regard this, if you will.

The "Wall Street Journal" reported in an April issue some pertinent facts, when considered in the light of the missionary role in thrift and public service professed by the savings banks. The newspaper questioned whether savings are "thick enough to absorb recession" and found that "official statistics look fat, but do not reveal how thrift money is spread." The article continued:

"Relatively few (savings) banks have breakdowns on the number of accounts in different size brackets. But big Bowery Savings Bank in New York City, which has over $1,000,000,000 in deposits, furnishes this report for August, 1952, tending to back the theory that *the bulk of savings are held in large accounts:* 'The greatest number of individual accounts were of less than $500—some 46%. But they had in them less than 5% of total Bowery deposits. In contrast, the about 32% of accounts of $2,000 or more held about 82% of total deposits.'"

During the recent legislative session in Albany, the demands of the savings banks, while excessive, had a salutary effect in that they provoked a close examination of the slow but steady encroachment of savings banks on commercial banking during recent years. It was then that the commercial banks realized that they must stand fast at the point to which they had retreated through the years.

It was quickly discovered that the defeat of the legislative proposals showing favoritism to savings banks depended on teamwork among our members. Their response was effective. Each member of our team made a distinct contribution. The march of savings banks to still greater self-aggrandizement, under the covering banner of the public interest, was halted.

Now unfortunately, the savings banks are serving notice that there is nothing final in these results. These single-minded savings bankers pose the ultimatum that they are determined to win the branch bank goal they seek.

Further, it is a matter of record that the Superintendent of Banks is predisposed to indulge the savings bankers in their demands.

You may think I am an alarmist, but consider what has already happened in our State. Savings banks, at the moment, seek much more than their principal goal, greater branch banking privileges. (The right to hold stock in commercial banks, which could lead to control of commercial banking, and personal loan powers, for instance.) Evidence is widespread that we must meet the challenge both to ourselves and to the economic welfare of our communities.

*Acceptance remarks of Mr. Neilson upon being elected President of the New York State Bankers Association at the 57th Annual Meeting of the Association held aboard the S.S. "Queen of Bermuda," May 26, 1953, together with his subsequent address on May 28.

Commercial banks must develop continuing precautionary measures which are essential to the well-being of commercial banking. Today we find ourselves in an increasingly competitive — if not antagonistic—atmosphere, as savings institutions attempt their unreasonable encroachments on commercial banking functions.

To meet this situation, your Association has been developing a defensive campaign of press and public relations, along with its studies to help improve commercial banking's services to the public. When convinced that continued warfare was planned by the savings banks, your Association put its first defensive effort in a series of Informative Bulletins, which you are now receiving. These bulletins will continue for the balance of our protective program for the commercial banks and the communities they serve.

Generally, sight will not be lost of the current actions of the savings banks, which will be analyzed in the light of both their past actions and statements. Many of these are contradictory. By the use of facts, our bulletins will highlight these inconsistencies.

Of course, such a program as this will cost money, and ways and means must be found to finance it by our members.

But most importantly ours is planned as a constructive program, essential to private enterprise in commercial banking. We intend to tell the story of the public service performed so effectively by commercial banks. Savings banks, the one-time Societies for the Prevention of Pauperism, have grown to unconscionable proportions, but they shall not engage us in a legislative diversion without our telling the people of the great service commercial banks perform.

We will put our cards—along with our record—on the table, and let the public judge the merits of our position. We have the satisfaction of knowing that the validity of our position—and our service to the public—was upheld at the latest regular session of the State Legislature. We must preserve our position.

If the savings banks continue their endeavors to encroach on commercial banking, I propose that we demand that we be taxed upon the same basis that they are, and failing that, they be taxed on the same basis that we are.

In my bank last year, the Federal income tax which we paid, plus the interest on time deposits amounted to approximately 3½% on our time deposits.

Pretty tough competition, I'd say.

As previously stated, in a large New York City savings bank, 32% of the depositors owned 82% of the deposits. Obviously, many of those deposits are investments, not savings. And some of the savings banks are advertising how a man and wife can deposit up to $40,000.

Gentlemen, we held them on the 5-yard line this year; are we going to kick out and again go on the defensive, or are we going to start carrying the ball?

Joins Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Francis X. Day is now connected with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges.

H. L. Robbins Adds

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — William N. Mitchell has become affiliated with H. L. Robbins & Co., Inc., 40 Pearl Street.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Leonard W. Walle is with Renyx, Field & Co., Inc.

Chief Factors in Business Outlook

By NEIL H. JACOBY*

Dean, College of Business Administration, University of California at Los Angeles

Dean Jacoby, asserting present prosperity is unlikely to be terminated by a sharp reduction in total governmental expenditure, sees greatest threat in an impending decline in business expenditure on plant and equipment and changes in Federal monetary policies. Calls for revision in Federal tax system.

Speaking early last January, I ventured the opinion that 1953 would mark the end of the long inflationary boom which has lasted — with but short interruptions during 1945 and 1949—for almost 12 years. I predicted that, although 1953 would average out into a fairly prosperous year, we might expect a sidewise movement of prices, a moderate decline in business spending on plant and equipment, some falling-off in home construction under 1952, increasingly severe competition in business, and lower business profits after taxes. My view was that, while gross national production for 1953 might be a few percentage points over 1952, at the end of 1953 we were more likely to be on an economic down grade than on an upswing.

Neil H. Jacoby

Events of the past five months have not caused me to change these views. The most probable course of business during the balance of 1953 is sidewise. As the year wears on, there will probably be a perceptible increase in inventories, and a small rise in unemployment. Recent events confirm earlier guesses that international tensions will not diminish in the measurable future; yet there will not be all-out war. Defense spending will continue at about current rates. The American economy has, in a sense, grown up to the task of maintaining a large military establishment on the present scale. The support of this establishment no longer puts our industrial facilities under forced draft; nor, given present taxes, does it pose a threat of further price inflation.

Our present prosperity is unlikely to be terminated by a sharp reduction in total governmental expenditure — Federal, state, and local. An expansion in state and local outlays will probably offset a good part of any decline in Federal spending. The most imminent threat to prosperity comes from an impending decline in business expenditure on plant and equipment. Closely tied in with this factor are changes in Federal monetary policies. I wish to comment briefly on these two elements in the economic outlook.

Outlays on Plant and Equipment

It is well known that business outlays on plant and equipment have been at record-breaking levels since 1946. They have constituted an important underpinning of the inflationary boom since World War II. Apparently, the per capita amount of physical fixed capital of American business has risen about 15% since 1946. Today it is no greater than it was 24 years ago in 1929. By historical standards our plant facilities are not dangerously large. Yet the hot pace of plant and equipment spending probably will not be maintained for two reasons: First, sales of many producer and durable consumer goods are giving evidence of a lack of further expansability. Secondly, funds available for financing plant and equipment expenditures are becoming scarcer, more costly, and harder to get. I am aware that the Department of Commerce and the McGraw-Hill surveys of business plans for plant and equipment expenditure presage only a **minor** reduction. But we have not yet had experience with the relationship between realized and planned investment in a stable or shrinking market. All of our experience so far has been in an expanding market. Hence, I am skeptical of the realization of present business plans for plant and equipment outlays. I fear that the volume of such expenditure may fall off during 1954 much more than is presently considered probable.

One problem is that an increasing fraction of business investment apparently is predicated on an effort by management to increase the firm's share of the industry market. This is bound to prevent the expectations of all firms from being realized. For example, if Ford, General Motors, and Chrysler **each** expand their plant facilities in the expectation of capturing a larger percentage of the auto market—as they now appear to be doing—some of these investment outlays are bound to be unrewarding. The result is that the plant and equipment outlays of the subsequent year will be sharply reduced.

Monetary Considerations

This brings me to the financial considerations involved in business expenditure for plant and equipment. These lead naturally to a discussion of the effects of Federal monetary and fiscal policies. A high degree of business liquidity at the end of World War II, and large profits thereafter, have facilitated the financing of business plant and equipment. However, business as a whole has become increasingly less liquid, as well as less profitable, during the past two years. There has been a shift from internal financing of plant expansion by a plough-back of profits to external financing via term loans from commercial banks and insurance companies and sales of stocks and bonds in the securities markets. The "easy money" policy of the Truman Administration made this shift easy —just as it fed the inflation of prices. During the past year or so there has been an abrupt change in our national monetary and fiscal policies. The long-continued policy of making credit cheap has been replaced by a policy of neutrality. Money rates are being allowed to seek their normal levels. The result has been a sharp rise in interest rates, and a curb on the rise in prices of corporate stocks. Both stock money and bond money has become more costly to businesses and harder to get. This has also been true of residential mortgage funds and consumer credit. A brake has been put on home construction as well as business investment.

Now I believe that the monetary brake should have been applied a long time ago as the most effective curb on price inflation, and that it was necessary for the present Administration to apply it when it did. Yet, it will continue to have highly important deflationary repercussions on our economy. It may be necessary to relax the monetary brake before long, in order to check the decline in investment spending and in consumer spending consequent upon the higher costs and more stringent terms of consumer credit.

The basic economic issue before the Eisenhower Administration is whether the attempt to reduce taxes, to balance the Federal budget, and to maintain a high level of employment—all at the same time—can succeed. All of us who believe in a free, prosperous, and stable economy earnestly hope that it will succeed. Yet, we should recognize that it could fail. We may be certain that if unemployment should grow to large proportions (over 4 millions) as a result of a general business recession, the present Administration will cut taxes in an effort to bolster consumer spending and markets for goods, even if this means running a large Federal deficit. I do not now forecast this situation; I merely point to it as a possibility for which our Federal government should be ready with appropriate policies.

Because price inflation has disappeared as a major motivation for production and employment, it is necessary to replace it with other incentives. Every avenue should now be explored for removing present features of our Federal tax system which dampen risk-taking and incentives to investment. One place to begin is with the tax on so-called excess profits. It is not at all clear that the scheduled expiration of this tax on June 30 next would entail any loss of revenue to the Federal government, after the repercussions of the removal of the tax on the volume of business and consumer expenditure and on normal personal and corporate income tax payments were taken into account.

A revision of our Federal tax system should be begun immediately, with the focus of attention on the elimination of features which dampen risk-taking and reduce business investment. I have in mind such features as accelerated depreciation, reduction of the double taxation of dividend income, and a host of other measures. Our ultimate national security rests on our pre-eminent industrial productive capacity. We will only keep this pre-eminence in the race with Russia by policies which encourage technological advance, research, and a sustained high level of business investment in the most modern plants and equipment.

*An address by Dean Jacoby before the National Association of Purchasing Agents' Thirty-Eighth Annual International Convention, Los Angeles, Cal., May 26, 1953.

Lilley & Co. New Direct Phone to N. Y.

Lilley & Co., Packard Building, Philadelphia, Pa., members of the Philadelphia-Baltimore Stock Exchange, announce that their direct telephone from New York to Philadelphia has been changed to Canal 6-4045. After June 1, all deliveries, confirmations and communications should be addressed to the Philadelphia office.

Nuclear Energy For Electric Utilities

By THEODORE BAUMEISTER*
Professor of Power Engineering, Columbia University

Prof. Baumeister points out problems to be solved before nuclear energy can be put to practical use comprise: (1) overcoming dangers and difficulties in handling the raw material and preventing dust in generated steam; (2) making use of nuclear energy economically effective; and (3) the legal problem growing out of ownership of fissionable fuels by Federal Government. Says, at present, burden of technical development is vast, the economics are not too bright, and the legal picture needs clarification.

Lest there be any illusions, I should like to state at the outset that I am not an atomic scientist. Neither am I a security analyst. I am just a struggling power engineer who tries to practice what he preaches. I teach school at one stand and then I work as a power engineer at another stand. I propose to address myself, as a power engineer, to the question "What are the prospects for a nuclear power plant?"


Prof. T. Baumeister

When such a question is asked of a true engineer he must answer the question from the true engineering viewpoint. That viewpoint must include two equally important aspects—one a scientific and the other an economic. A real engineer must always remember these two aspects—one very highbrow and understood by the few, the other very materialistic and best represented by the walking dollar sign. As soon as an engineer forgets the dollar sign he's no engineer but a pure scientist. As soon as he forgets the science he's an improviser who is attempting to bull his way through a most difficult situation. Therefore, within the framework of that foreword on what constitutes the engineering approach we can proceed to the question "What are the prospects for a nuclear power plant?"

I find that when the subject of nuclear fission is mentioned in the presence of layment, in the presence of that great realist, the practical business man, if you will, there is a tendency for his knees to knock and for his teeth to chatter and he doesn't know whether the advocate is about to perform a feat of magic or suddenly to snatch the gold from his teeth. There is nothing magic about the fact of nuclear fission. It is a reality—an accomplished scientific fact. The big problem before us is to confine it, to control it, and to use it for practical and constructive ends. We must today be in much the same position as our ancestors were when they had first discovered fire. Many of us, incidentally, are still trying to learn how to make a fire. And I do not say that facetiously. The biggest problem in even the most modern steam electric power plants is in the boiler room—how to build a better fire with conventional fossil fuels. With nuclear fuels some of the members of the human race have had about 10 years' experience—not 10,000 years. So we are very much at the beginning of our knowledge. But I have every confidence that our technology will make progress with much more than the proverbial seven league boots. This does not mean that there is lurking just around the corner, the spectre of atomic energy to push water power and the fossil fuels—coal, oil, and natural gas—into the discard. The transition, I am confident, will be gradual and it will be a long time, if ever, before we find nuclear fuels ruling the roast—that's as Shakespeare said, "ruling the roast." There is, however, no doubt that fissionable material is a very real source of energy and it will certainly be developed to supplement and to complement our better understood sources of energy.

*An address by Mr. Baumeister before the New York Society of Security Analysts, New York City, May 1, 1953.

Magnitude of Potential of Nuclear Energy Use

To me, as a practical person, the first and most important inducement to the successful harnessing of nuclear energy rests in the magnitude of the potential. You might say the stake in the game. You have all heard about the reserves of fossil fuels which are ahead of us. We hear on every hand of oil and its imminent depletion. We hear of that popular fuel, natural gas—it could supply all of our energy needs for five years and then there would be no more. The picture for coal is better, much better. We can move the decimal point. There are proven supplies in the ground for hundreds, if not thousands of years.

Now in comparison, where does fissionable fuel stand? Uranium and thorium are our two present sources of fission fuel. Uranium is quite widely spread over the face of the globe but the best deposits seem to be in Central Africa, Western United States, the Canadian Northwest and Eastern Europe. Only a couple of years ago the experts would have hold us that less than 1%—seven-tenths of 1% to be exact—of the world's uranium was fissionable. That is, less than 1% is in the form of the much publicized U-235. The remaining 99.30% was the less glamorous, if not useless, U-238. But then the wizards—the nuclear scientists—came up with the idea of breeding. Breeding makes it possible to convert much, if not all, of the remaining 99.3% of the uranium into a fissionable form. And, I can assure you, this conversion is to be accomplished without any display of the magic wand, or without resort to the devious ways of perpetual motion. The very fact of breeding altered the entire picture of fuel potential by moving the decimal point at least two places to the right so far as the reserves of nuclear fuel which are available to man are concerned. This breeding operation means in language which we can all understand—in numbers—that the proven reserves of fissionable fuel (as uranium) constitute an energy potential about 25 times as great as all the known reserves of all the fossil fuels, i.e., coal, plus petroleum, plus natural gas. The magnitude of these reserves, the stake in the game—25 times the figure for conventional fuels — means, to me, that the human race is going to harness that energy source, successfully and economically. But it will not be done tomorrow.

Problems to Be Solved

On the chance that I may be oversimplifying the argument, I would resolve the present situation into three clearly recognizable and tremendous problems which must be solved before a practical nuclear power plant becomes available. The first problem is essentially technical; the second problem is economic; and the third problem is legal.

At the outset it must be stressed, so that there is no delusion present in anyone's mind, that handling this nuclear stuff presents some real risks and problems of damage both to human beings and to materials. It is far worse than such things as fire, or dynamite, or supersonic airplanes. When a nuclear reactor is postulated we have inherently a concentration of fire, of heat, of temperature, such as we have never before experienced. we have all heard mention made that among the heavenly bodies there are temperatures far in excess of any temperature which could be made with man's usual fires. But stellar temperatures cannot be very real when they are so many millions of miles away from our own environment. The nuclear reactions have, however, changed all this. Now instead of having to deal with temperatures of a few thousand degrees we are called upon to think of, to manipulate, and safely to contain temperatures which might range to millions of degrees. Such temperatures are beyond the ken of man. Combustion engineering practice has dealt with temperatures of a few thousand degrees. Even our flaming arcs are well below ten thousand degrees. Today, we, as engineers, are asked by the impact of nuclear fission to devise structures which can, at least in the limit, work with potential temperatures many times higher than anything we have ever previously been called upon to handle. This concentration of heat makes us change our ideas about metals and refractories which we heretofore thought were suitable for high temperatures. Our former accomplishments are puny in comparison to what lies ahead. Not only are we and our tools punished by these high temperatures and by these concentrations of heat, but we have to contend with the harassing effect of radioactive emanations. These neutrons which are bounced around and the gamma rays which are released can do all sorts of untold damage—not only to your physical body and to mine—but also to our structural materials. Metals and alloys, of which we are quite proud, are so severely damaged that metallurgists have been called upon to find substitutes which will withstand the onslaught. This is but one of the many unsolved technical problems which lie ahead. If our highly prized alloys like stainless steel can be severely damaged by radiation, your imagination should be stirred to an appreciation of the kind of problem which must be solved before we will have a nuclear power plant which is truly competitive with, and a replacement for, existing hydro, steam, and internal combustion power plants.

I could cite another problem—small, but it could conceivably cause trouble. That problem is dust in steam. It is probably hard for the layman to visualize steam which comes from a boiler drum as containing dust. Everyone knows that distillation is one sure way to purify a liquid. But power engineers have long recognized that the steam output from a boiler cannot have absolute purity. There is always some contamination in the form of solid particles or liquid drops which come over with the steam vapor. These contaminants ultimately appear as dust after the steam is dried by passage through the superheater. It is true that the steam from present-day boilers is really very pure, the contamination being less than one part in a million (1 in 10^6). That is acceptable in current steam practice. But it could be entirely unacceptable in nuclear practice. Such a dust concentration could cause trouble because these solid particles in suspension could take on radioactive features and if carried around to the wrong places would lead to untold trouble. If such were the case we might easily be asked to build steam boilers which could improve the steam quality by making the dust content one in a billion instead of one in a million. It has taken us from the days of James Watt to learn how to do 1 in 10^6 and when we could attain, if asked, 1 in 10^9, is a long way off. This is the kind of problem which might have to be solved by the technical world. I cite it as typifying a situation which can reach away back into established custom and call for complete re-evaluation and re-design of accepted standards. And there are literally thousands of technical problems on which answers are needed before we can say that nuclear power plants are here with adequate reliability, flexibility, and life.

Problem of Economy

The second big problem that is ahead is to take a technically sound job and make it economically effective. The most rational spot for the nuclear plant seems to be one where we could expect heavy investment to be spread through a large product output. To get low unit costs the most rational approach is toward large size units—units which would be usable only by the largest utility systems. The competition for the nuclear plant is here very severe and is set by the steam power plant. The most likely atomic plant will be much the same as the conventional coal-fired steam plant, substituting nuclear fuel for fossil fuel. So the standard of comparison is to be found in the modern steam plant where we have such experiences as steam turbines operating 50,000 or 75,000 hours (6 to 8 years) without overhaul. Such plants and such equipment might reasonably deliver electric energy for a cost of 5 or 6 mills per kilowatt-hour for this general region. Of that total something less than one-half represents carrying charge on a total estimated investment of $150 per kw. A similar amount represents fuel and perhaps 10% is needed for labor, maintenance and supplies. Of the investment at least half of the present steam plant—that is everything beyond the boiler—would be identical in both the conventional plant and the nuclear plant. This means that there is left over of the order of about 4 mills per kwh. to pay for the nuclear reactor, for the atomic fuel, for the fuel processing and reclamation plant, and for the waste heat boiler to make the steam. On the basis of 7,000 to 8,000 hours operation a year and 13 to 14% annual fixed charges this translates into an allowable investment of $225 per kw. So if that part of the conventional plant—the electrical end of $75—is added to this $225 we reach an answer of about $300 per kw. as the total allowable and justifiable investment for a nuclear steam-electric power plant. This $300 is about double the price of conventional fossil fuel plant and it must cover (1) the capitalized cost of fuel; (2) the entire reactor and its appurtenances; (3) the usual turbine and electric generating equipment; and (4) all other charges for labor, maintenance, and supplies.

This money is completely inadequate, on present day prices, to justify the construction of a nuclear plant if we have to buy prepared fissionable fuel like U-235. If, on the other hand, we can make a synthetic fuel like plutonium-239 (Pu-239) and utilize the waste heat developed in the process of manufacturing the plutonium to produce steam, then because someone else (usually Uncle Sam) buys the plutonium it is possible to postulate and economically feasible nuclear power plant. The operation, however, is predicated for its success on the continued market for plutonium. The breeder reactor is a third possibility which is very attractive because it uses as fuel the basic U-238, which even at prices like $35 a lb. will develop the heat equivalent of 1,300 tons of coal. With such an arrangement the price of fuel, in itself, practically vanishes from the calculations. We are then reduced to a comparison which is not unlike a hydro electric project where the fuel charge for power is virtually zero. The breeder reactor thus removes the fuel price from the problem and the question essentially resolves itself into the cost of constructing the reactor and its associated apparatus. My own guess is that the price for such reactor equipment, today is too high to be of immediate practical competitive significance. But as a forward looking engineer—the scientific facet now comes to the front—I am not discouraged or deterred. I can reason by analogy. The great Lord Kelvin in 1852 announced before a learned society the basic principle of using a heat pump for the alternate heating and cooling of space. It has taken us a century to find offered, this year for the first time, window air conditioning units which will cool your room in summer and heat it in winter. Sometimes we really make progress slowly. In our technical world the road is paved with frustration. But persistence, and skill, and manpower, and time, and money will build a road which is real and never failing. The goal of success lies surely before us.

I look to fields where they can stand high prices for fuel to teach us many valuable lessons. Power engineers, like all other humans, tend to develop a worm's eye view. You hear power people say, "I'm a hydro man," or "I'm a steam man," or "I'm an electric utility engineer," or "I'm a marine power engineer," or "I'm an aircraft power engineer," or "I'm a specialist in railroad power." These statements reflect just some of the many diversified uses to which power is put. When we talk electric utility power we take but one small chip. The utility power plants of this country contain about 100 million horsepower—but our automobiles account for 5 billion horsepower—50 times as much capacity. These numbers are cited so as to put first things, first. Other fields also offer tremendous magnitudes for power application. To anyone studying the nuclear power potentialities, the inducements of the transportation field are very real. Many of these fields can and do support high priced fuels—prices which a public utility system could never afford to pay. Aviation gasoline, for example, on the heat basis, costs five or ten times as much as coal for most utilities here in the east. That means that an aviation type of nuclear power plant has a real head start, economically, over the utility application. A hat full of fuel could conceivably fly you around the globe several times. But shielding is necessary to protect people from radiation. And shielding is thick, and heavy, and bulky. But a modern large conventional airplane can easily burn 2 or 3 tons of gasoline an hour. It doesn't take much arithmetic to show how much dead-weight shielding could be substituted for consumable gasoline — and still get the airplane off the ground. You could conceivably have to carry more dead weight as food—

Continued on page 25

Structure and Functioning of Council of Economic Advisers

By ROBERT C. TURNER
Professor of Business Administration, Indiana University
Formerly, Member of President's Council of Economic Advisers

Calling the Employment Act of 1946 "a momentous piece of legislation," Dr. Turner says, by test of performance, its objectives have been achieved. Analyzes relationship of the Council with other segments and agencies of the government. Holds a one-man Council would be more effective as Presidential aid, and stresses problem of "doctoring" Council's reports for political reasons. Upholds questioning of Council's members by Congress, and reveals semi-isolation of the Council from other government agencies as well as lack of coordination with their research activities. Lists as Council's functions: (1) to provide economic information; (2) to establish economic goals; (3) to forecast future economic tendencies, and (4) to persuade decision-making individuals by "jawbone economics" to achieve these objectives.

As you read the Employment Act of 1946, you may find it a rather unimpressive document. The declaration of policy is so broad and general that scarcely anyone could quarrel with it. The Act confers no powers. It prescribes no formula for curing economic depressions. It creates a new advisory agency, but then sets an appropriation ceiling so low as to require that agency to remain extremely small. The appropriations for the Battle Monuments Commission for salaries and administrative expenses alone—that is excluding the monuments—have regularly been more than twice the appropriation ceiling for the Council of Economic Advisers.


Robert C. Turner

Yet, the Employment Act was a momentous piece of legislation. For the first time, it formally committed the Government of the United States to a policy of maintaining full employment. Although the word "depression" is not used in the Act, the legislation commits the Government—for the first time in law—to use its full powers to prevent depressions. And although it did not prescribe a formula for achieving this objective, it did create a mechanism for planning to that end, and for achieving better economic policy coordination within the Executive Branch of the Government, and between the Executive Branch and the Congress.

Objectives Have Been Achieved

One obvious quantitative way to appraise preformance is simply to measure the extent to which the objectives of the Act have been achieved. By this test, performance has clearly been good. The past seven years have been years of extraordinary growth and abundant job opportunities, marred by only one relatively minor interruption. Standards of living have increased despite the heavy overlay of the security program in the last two and a half years. The record as to price stability has not been as good, although contrary to much careless talk, the period has not been one of uninterrupted inflation.

In spite of this and certain other blemishes, on the whole the record has been good. Yet, this is not an adequate test of performance of the Council under the Employment Act. For one thing, the recommendations of the Council and of the President have by no means always been followed. Furthermore, the basic economic forces which have been at work during this seven-year period have been so strong that, measured at least in terms of total product, the results would have been more or less the same whether or not the Employment Act and the Council of Economic Advisers had existed. Furthermore, the absence of a depression does not necessarily mean that the Council has not been tested. Perhaps the ultimate test is the ability of the Council (and of the Government) to avoid the depression test. But in the main, I believe that the real test of the Employment Act lies ahead of us, not behind us.

A subjective evaluation of the work of the Council under the Employment Act may be made by comparing what has actually been done against some sort of concept—formulated with benefit of hindsight—of what might or should have been done. Such a concept must necessarily involve a high degree of personal judgment. I shall segment this evaluation into five parts, analyzing the relationship of the Council to each of the five major groups with which it works: the President, the Congress, other agencies of Government, the public at large, and the economics profession.

Council's Relationship With The President

First, relationships with the President. I feel compelled at this point, to make some observations which may seem highly obvious. Yet I find a rather common disposition on the part of people who have not had experience in government to over-personalize the office of the President. There seems to be a common impression that the President personally makes all of the innumerable decisions which are made in his name, appoints personally all of the presidential appointees, and personally writes all of his own messages and speeches. Clearly, the duties and responsibilities of the President of the United States are much too vast for any such personal attention. The presidency is an institution, large, complex, involving hundreds and sometimes thousands of individuals. It includes persons not only in the staff agencies in the Executive Office of the President, such as the Bureau of the Budget, but also in the regular, line agencies of Government. It varies in its makeup with the problem at hand, and functions to an important extent independently of the man who sits behinds the President's desk. I do not mean to under-emphasize the role which the president plays. He sets the tone for the entire organization. He makes certain crucial decisions which set the pattern for many subsidiary or parallel decisions. He makes the key appointments. He reads and approves, and sometimes alters, important policy statements which have been prepared by others. But in large degree, the President must rely on the organization which backs him up to carry out a very large portion of responsibilities of the Presidency.

The Council of Economic Advisers is a part of this institution. It is the President's general staff in the field of economic affairs. There have been periods of months at a time when no member of the Council has met or talked with the President, and when their communications with him have been limited to formal reports. This does not necessarily mean, however, that they have not been discharging their functions in the Office of the President. In this same period of time, they have been in close and frequent contact with the personal assistants to the President, who do much of the President's work. They have been in constant communication with staff people and heads of other agencies of the government concerned with economic affairs. They have participated in drafting messages, legislative programs, etc., for the President's signature. They have been participating in the formulation of presidential policy, even though this may not have involved direct contact with the President. They are a functioning part of the working machine which makes up the presidency.

I have heard the view expressed in some quarters that the Council of Economic Advisers should be a group of highly objective advisers, completely removed from the hurly-burly of everyday affairs, who would sit in supreme isolation and periodically give the President the benefit of their wisdom, for him to accept or reject as he sees fit. This view, in my opinion, can arise only out of a complete misunderstanding of the nature of the governmental process. Policies, including economic policies, are in large part made by the presidential office, not the President. They are the product of the continuous functioning of this elaborate and multi-bodied mechanism which I have called the institution of the presidency. A Council which held itself aloof from this day-to-day functioning would be as ineffectual as a kibitzer at a bridge table.

The Council of Economic Advisers, over the past seven years, has in a fairly substantial degree successfully discharged this function as a part of the institution of the presidency. Particularly in the early weeks of each session of the Congress, when the annual messages are prepared, the Council has played a very large role in formulating the economic program of the President. The economic policies of the President have, in very large part, coincided with the recommendations of the Council of Economic Advisers because, in the main, the Council, as a part of this day-to-day process, developed these policies itself. That is, the Council has been a part of the President.

Yet, I believe that this integration of the work of the Council into that of the President has been less than it should have been. With two important exceptions, the Council's influence has been felt primarily during report season. It has not participated in the policy formulation precess as intimately as it should have at other times. This may be partly attributable to the personalities of the individuals involved in the last seven years. But it may also be attributed, I believe, to the structure of the Concil.

Structure of the Council

The Council is headed by three men of equal rank and salary. The chairman is a chairman in the literal sense of the word; he has no authority over the other members of the Council. The theory behind this triple-headed agency had its roots chiefly in two ideas. First, there were some who felt that this Council of Economic Advisers should be a highly scientific and objective "Supreme Court of Economics," removed from everyday decision-making. As I have already indicated, I believe that this notion fails adequately to take in to account the way in which the governmental process operates.

Second, it was recognized that economic ideas and doctrinces are highly controversial, and it was felt that by having a three-headed agency, extremes would be averaged out, and a sound and reliable median result would be the product. To some extent, that is the way it works. But there are some reasons for believing that the Council would be equally moderate and reliable, if it were a single-headed agency. In the first place, the frequency distribution of economic ideas which is averaged is usually one with a small standard deviation, and skewed at that, because the President inevitably appoints members to the Council who are of roughly similar economic predilections. Furthermore, the process of finding a common ground on which all three Council members can stand often results in an emasculated product, rather than an averaged product; in avoiding issues rather than resolving them.

Furthermore, it is quite possible that just as sound economic recommendations would emerge from a single economic councilor as from a three-man Council. Council members, almost by definition, are individualists. They are likely, consciously or unconsciously, to be jealous of their equal-ranking associates. They are likely to express their individualistic views much more strongly to a coordinate member than a single councilor would to a subordinate staff man. For the same reason, they are likely to listen less sympathetically to the views of a coordinate member than to those of a subordinate staff man. Given the right man, the averaging-out process could probably take place between a single councilor and a competent and perhaps slightly larger staff just as effectively as it can between three equal ranking council members.

A One-Man Council More Effective

Whatever the answer to that may be, it is clear that a Council headed by a single individual could participate far more effectively in the day-to-day policy-making in the institution of the presidency. It is far easier to consult and be consulted by one man than three. When the three men come up with divided views, the views of all three are likely to be ignored. For inter-agency deliberations, one man would be overworked, but he could be represented by staff members more effectively than they can represent a three-man Council. Responsibility in a one-man Council would be cleanly placed, and it would be possible to give one man higher status in the governmental hierarchy than can be given to three men.

There are good arguments in favor of either form of organization of the Council, and either form can be made to work. My personal preference—and I do not maintain that it is necessarily right—would be for a one-man Council.

A further problem involving the relationships of the Council with the President concerns the character of the reporting job done by the Council. The Council's reports to the President could be entirely confidential, with public reporting done by or in the name of the President only. Or, conversely, the Council could render public reports, as it does now, in addition to such informal, confidential reports as the President might request. Each has its advantages. Confidential reporting to the President should yield advice which is more frank and straight-forward, and less guardedly worded to avoid the possibility of an adverse public reaction. This is always a problem in any public document by a Governmental official. Suppose the Council, for example, were convinced that a depression was probable and imminent, and that certain very difficult policy actions would be required to avert it. Could — should — the Council announce publicly and boldly such findings? So doing might accelerate or aggravate the depression it is desired to avoid. Government officials tend to exaggerate grossly the public impact of what they say, but the fact remains that complete frankness of official pronouncements is not always either possible or desirable.

On the other hand, the analyses of economic objectives, developments, and prospects contained in the Council's report are, or should be at least, valuable information to the public at large and to economists in particular. True, these analyses could be made public over the signature of the President; that was done in the early years of the Council. If the reports are to be real treatises in

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Can We Solve the "Trade—Not Aid" Problem?

By WALTER LICHTENSTEIN*
Formerly Vice-President, The First National Bank of Chicago

Without presenting a solution to the problem, Mr. Lichtenstein discusses the pros and cons of tariffs and restrictions on foreign trade. Foresees need for fundamental changes in our tariff laws, and points out U. S. is only creditor nation now not having an adverse trade balance. Cites foreign investments as means of aiding other countries, but says such investment is not as safe as in earlier days. Advocates selective tariff changes

In a talk I made some months ago before a meeting of the World Institute at Rock Island, Illinois, I stated: "Nearly everyone is a believer in the free enterprise system and no one wants it. Likewise, there is continual talk of opening up the avenues of international trade by lowering the tariffs. Have you ever found businessmen who, faced by foreign competition, wish to have the tariff rates lowered on those products which they produce?" This was said almost exactly a half year ago. Well, about a week ago, I met the head of one of the good but smaller oil companies—not one of the first 10 in size and not a producer. He and I were discussing a pamphlet put out by the Council on Foreign Relations of New York. I shall have more to say of this pamphlet shortly. This valuable little booklet presents the views of 825 more or less prominent men scattered all the way from Boston and Providence in New England to Seattle, Portland, San Francisco, and Los Angeles on the Pacific. Three hundred and sixty-three or 44% are businessmen, 16.6% are lawyers and judges, 16.6% are educators, 6.2% are newspaper and magazine editors, and 16.6% are engaged in other professions or occupations. The topic these men had been discussing for eight months is the same one which we are trying to settle in an hour or so this evening. My oil man was, I believe, one of the group of 67% of the 363 businessmen who stated that the U. S. trade policy should be one of reducing import duties even if this did damage to domestic producers. At least, I judge so from the very emphatic position he took that he must have been one of the 67% of businessmen who wanted import duties reduced regardless of consequences.


Walter Lichtenstein

I sympathize with that stand for theoretically I am a believer in free trade. Subsequently, my friend and I began to talk of our own business affairs, and he told me that the Standard Oil Company of California had been bringing tankers loaded with foreign oil to our West Coast. These boats, anchored beyond the limits where our domestic laws would apply, were supplying American shipping with oil at a much lower price than would be possible if the oil was actually imported into this country. Said my friend, almost bursting a blood vessel with anger: "There ought to be a law to prevent a man's business from being injured or ruined by such evasion of our laws." I hasten to admit that he probably regards the proceeding I have described as unfair because small companies cannot afford to bring tankers off our coasts and if not owners of foreign oil wells could hardly do it in any case. I wonder whether my friend was also one of the 74% of businessmen who subscribed to the statement: "If a business can't meet competition, it shouldn't ask for artificial support," and again "Why should the U. S. taxpayer support the inefficient operation of any company and if some U. S. plants can't compete, it's time they began to find it out." I am a charitable man and I did not inquire of my friend whether he had supported those views and if so, did he think his attitude toward the Standard Oil Company of California indicated that he might be suffering from a mild case of schizophrenia.

I take it that I need not spell out to this audience that the tariff and related problems are the nub of the topic we are discussing, "Trade Not Aid." But I promised to tell more of the pamphlet issued by the Council on Foreign Relations. The little publication is entitled, "Foreign Trade and U. S. Tariff Policy" and may be bought for 25 cents from the Council on Foreign Relations, Inc., 58 East 68th Street, New York 21, New York. The Council on Foreign Relations, unlike the Chicago Council on Foreign Relations, is a closed body with a limited membership housed in its own handsome building. Its purpose is chiefly research in the field of foreign policy. It publishes among many other things, a quarterly magazine, "Foreign Affairs," which is probably the leading magazine of its type in the world. The Council also runs in 25 cities, so-called Committees on Foreign Relations. The membership of these committees usually consists of 20 to 30 leading citizens of their respective communities who meet once a month from October through May for an evening of concentrated discussion with a guest of special competence in the field of international affairs. Once a year the Council on Foreign Relations undertakes to ascertain the views of the Committee members on specific issues of major concern to the United States. To this end it asks the members to express themselves in writing, in response to a detailed inquiry prepared by the Council. A report is published based upon the replies received by the Council to its inquiry. I might have delivered a talk to you this evening by simply summarizing the report of this year, and I would have done full justice to the topic assigned to me. In fact, it might well have resulted in a better paper than the one to which you are listening. Seriously, if you are genuinely interested in these foreign trade problems, you ought to send for the pamphlet.

It has seemed to me worthwhile to spend some time on these preliminaries for whether or not I am an economist, I do consider myself a scholar and as such feel an obligation to my audience to give my sources and thus prove I am not voicing unsupported views. Also as a good American—even though entirely out of sympathy with the methods employed by Senator McCarthy — I am often appalled by the superficiality of the political thinking in this country. I do not know that we are worse than any other people but the *tu quoque* (you also) retort does not appear to me much of an excuse. The fact that others have faults does not exonerate us. I do not mind that my friend, the oil man, objects to a complete renunciation of tariffs, quotas, and the like but I wish he and others like him were a little more consistent in their thinking and realized the ultimate effect on their own businesses before giving lip service to liberal principles—liberal in the Victorian sense of the word and not in the Rooseveltian.

Foresees Tariff Changes

I have little doubt that sooner or later we shall be compelled to change fundamentally our tariff laws, not only the rates but also the whole body of administrative regulations. Many importers feel the latter do more harm than the actual duties imposed. Some of these regulations are pure chicanery so that even when foreign manufacturers and merchants, despite our tariffs, might compete with us in our markets, we prevent them from doing so by delaying the clearing of shipments so long that in some cases the goods are spoiled or the season for disposing of them has passed.

The present situation is a somewhat anomalous one. Usually in the past a creditor country was not even remotely self-contained. Great Britain, the leading commercial nation in the 19th Century, had to import a large percentage of foodstuffs to meet the requirements of its people and similarly a goodly proportion of the raw materials to manufacture the goods it sold abroad. It imported relatively little of finshed goods from elsewhere and except for the very important item of coal, it exported practically no primary materials. Furthermore, until, late in the 19th Century, Germany and the United States began to compete seriously in the export markets of the world, Great Britain, up to that time, had had a monopoly position in many lines. Consequently, it was relatively easy for Great Britain to adopt a policy of free trade; though even then in the late '40s of the last century, when the so-called corn laws were repealed, there were voices raised to warn that the ruin of British agriculture caused by withdrawal of protection against foreign competition—in that field largely American — would some day be regretted. It was. But be that as it may, we are not at all in the situation in which Great Britain found herself in the days of its commercial supremacy. To an amazing extent we are self-contained, we are a creditor nation, and while our export trade is a very important factor in our economy, we could exist without it, while most European countries must export to live.

$40 Billions in Foreign Aid

Up to now, we have been making it possible for our allies to export to us by giving them aid in one form or another. Since the close of the war we have handed over to our friends somewhat over $40 billion. This is a burden for us and by no means satisfactory to the other countries because they complain they never know from year to year what the prospects of aid are. It would be much better for their morale if they could earn their own way and not be in a sense objects of charity, however much our charity may be due to enlightened self-interest on our part. So if we went over to a more friendly trade policy, very likely most of the European countries would be able to bridge the so-called dollar gap, that is, they would sell us enough of their goods to enable them to pay for what they must buy from us, which, as you know, is not true at present. However, if we did that, we would undoubtedly create, certainly for a period of time, difficulties for ourselves. After all, many important industries have been built up in this country which employ millions of our people which could not have been created and, in many cases, could not continue to flourish if we had a system of complete free trade. Let us at least assume hypothetically, and I think there is much truth in the theory, that certain of our important enterprises might be wrecked by foreign competition under a system of free trade. Do you think that the investors in those undertakings would be willing to lose their money or that many of the workmen would be satisfied to take new jobs in concerns producing goods different from those which they have spent perhaps a large part of their lifetime in making and for the production of which they have acquired certain skills? As you are aware, the statement is frequently made by economists that we would be better off if we devoted our whole energy and efforts to doing those things which we can do superbly well rather than wasting our time on producing commodities for which we are not peculiarly fitted and which could be furnished us much more cheaply by foreign countries who excel in those special fields were it not for our tariff duties and administrative regulations. I do not question that this is true in the long run, but as Lord Keynes once remarked: "In the long run we shall all be dead."

Aid Through Foreign Investment

Another means by which we can aid foreign countries is by investing heavily in foreign enterprises. Great Britain did this on a large scale in the nineteenth century. She was able to sell finished goods relatively speaking at high prices and buy raw materials at relatively low prices. In those days, the countries of the world more than at present were not manufacturers and at the same time producers of raw materials, and it wasn't as true as now that every nation wanted to be great in the field of industry. The statement just made is somewhat of an oversimplification, but, be that as it may, Great Britain was able to earn more than she spent and as she could not employ usefully all her profits at home, she invested a large part of them abroad and the dividends resulting therefrom undoubtedly helped her in balancing her international accounts, while the countries receiving such funds might repay—and over the years often did—capital and interest by shipping Great Britain the food and raw materials of which I spoke earlier. Here again, our situation is a very different one. If foreign countries have to pay us dividends on investments, it merely means that they must find more dollars than before and we do not really need, as I pointed out just a short time ago, to increase our imports from them because after all we are able to supply, in most cases, our requirements domestically.

Present Damages of Foreign Investment

In the latter part of the nineteenth century foreign investments by and large were safer than they are now. The rising spirit of nationalism everywhere may or may not be desirable, but it certainly has resulted and probably will continue to result in all too many cases in the confiscation of foreign property abroad. I don't think I need to list the continually increasing number of countries which at one time or another have insisted that foreigners must no longer own or control the resources within their boundaries. I hasten to admit that confiscation is not as likely to occur and really has not occurred in the case of retail business enterprises or various types of services. In other words, independent countries wish to have control of their mineral wealth, their public utilities, the products of their soil, and the like, and I don't know that we can blame them too much for that. For example, you are probably aware that most of our states have laws prohibiting foreigners from owning any real estate, except for a very brief period of time, and in general foreign banking enterprises are not allowed to have branches in this country. Also we do not allow coastwise shipping by foreign vessels and we should probably object strenuously if foreign concerns came in and tried to control our telephone and telegraph systems. I am just trying to point out to you that there are nearly always two sides to these questions and that the answers are not quite as simple as the slogans we employ would indicate. May I say parenthetically that it sometimes seems to me as if our policies are determined not after a careful consideration of all factors involved, but by the ability of one side or another to invent a catch-phrase which will sweep the country.

Restricting Trade With Iron Curtain Countries

In considering the topic "Trade Not Aid" there is another line of thought to which we must give heed. As you are aware, we are not ready to send any materials to the countries behind the Iron Curtain which will aid them and be of help to them in producing weapons to carry on active combat. We have more or less insisted that our allies shall

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*An address by Mr. Lichtenstein before the Business and Professional Women's Club of Chicago, Chicago, Ill., May 25, 1953.

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Oppression!

tutional rights were waived by NASD members in signing their applications for membership.

Certainly, no notice of any such waiver was contained on the application blank.

Danger to the Individual

What would become of the system of jurisprudence in which freedom was founded if communications between a lawyer and his client were not sacred, sealed and privileged?

It would be tragic. It would mean, for instance, that an innocent man charged with murder who was nevertheless in the vicinity at the time the crime was committed would hesitate to admit this and any other damaging facts to his own attorney knowing that his attorney would be compelled at the trial to reveal these admissions and prejudice his case. He would be put in a position that was tantamount to making him testify against himself. Under our Anglo-Saxon system of justice, which obviously neither the SEC nor the NASD practice and procedure recognize, a man is considered innocent until convicted and need not testify against himself and must be proven guilty on the strength of evidence adduced by the prosecuting authorities.

Without such privilege, how could any defense be adequately prepared? How could any person be safe in his life, liberty, property and pursuit of happiness? What significance could there be to any bill of rights?

Criticism Voiced by Heller Committee

It would serve little point to deal minutely with all of the steps taken by the Securities and Exchange Commission and the National Association of Securities Dealers in their persistent persecution of Otis & Co. Let it suffice to give a portion of the report of the so-called Heller Committee, which was a subcommittee of the House Committee on Interstate and Foreign Commerce and had been conducting hearings pursuant to House Resolution, which included an inquiry into the SEC's action and failure to act in the Kaiser-Frazer matter.

Speaking of the Securities and Exchange Commission, this report said:

"Apparently, the staff's attention was so absorbed in the pursuit of Otis & Co. that they failed to get a complete and impartial view of the whole situation.

"Our review of the Commission's processing of the Kaiser-Frazer registration statement and subsequent developments thereto reveals a shocking story of errors, indifference, and evasion on the part of the Commission and its staff."

Ignoring the Courts

After a long, arduous and costly controversy, the private litigation in the courts between the Kaiser-Frazer Corporation and Otis & Co. was finally resolved in favor of the latter.

On April 7, 1952, the United States Circuit Court of Appeals found and decided that the Kaiser-Frazer statement and prospectus were in fact and in law false and misleading; that a fraud had been perpetrated by the corporation; that the earning statement was at least $3,100,000 short of the truth; that the sale of the stock to the public by Otis & Company would have been a violation of the Securities Act of 1933; and that Otis & Co. was under no obligation to accept the stock. This was a final determination because *certiorari* was denied by the Supreme Court of the United States.

By that time, it was reasonable to believe that the controversy had finally been laid to rest, and that, in view of this decision, the Securities and Exchange Commission would stop its witch hunt and pursuit.

Already, years had elapsed since the Commission had started its persecution, in the process of which a fortune of the public's money was spent, and still the Commission is no nearer any solution or determination today than it was at the very beginning.

Unrelenting Malevolence

But no, here is an implacably determined adversary bent upon a kill, disregarding the fact that it is completely in the wrong.

And so the Commission has announced the reopening of hearings in the Otis & Co. case, and in its last determination, adding insult to injury, has refused to incorporate any part of the vast record already made into the present record about to be taken, which means that the whole matter will have to be rehashed, witnesses re-examined, exhibits re-introduced, and it is most difficult to see where all this can lead because the courts' determination already made should be controlling.

In law, there is a principle known as *res adjudicata,* which means in effect that an adjudication between parties to an action binds them always and fixes their rights permanently.

While it is true that the SEC was not a party to the action between Kasier-Frazer and Otis & Co., nevertheless it seems to us that since the courts had an opportunity of going into the controversy carefully, and of receiving the benefit of the personal appearances of witnesses, and judging the issues impartially, that the Commission ought to be willing to accept that judgment and let the matter lay.

That it refuses to do so is complete proof of its unrelenting malevolence.

Flagrant Waste of Public Funds

Names as such mean nothing to us—the public interest everything. And this prompts us to inquire when the SEC's witch hunt has run its course; and if Otis & Co. is found to be in the right, if not by the Commission then by the courts on appeal, what redress will Otis & Co. have for the tremendous cost to it for the lost time, for the loss of customers, for the adverse publicity, and for the heartbreak which it will have sustained? Clearly, it will have no recourse against the Commission or against the NASD.

The outrageous spite of the Commission, its needless waste of public moneys, its persistent attempts to pierce the veil of privileged communications between attorney and client, its refusal to accept the courts' determination of a private controversy in which the public interest is not involved—all these are but a few of the controlling reasons that impress upon us the urgent need for the prompt abolition of the Securities and Exchange Commission.

It is said by some that filling existing vacancies on the Commission may lead to a better administration of its affairs. That in our view is irrelevant. The question is whether the Commission is good or bad for our economy.

Were we to consider if a dictatorship is a good or bad form of government, we would not be influenced by the fact that the immediate occupant of the office was either a despot or a benign ruler. So, in considering the activities of the Commission, the question of its immediate occupants is of no consequence.

Growing Demand for End of SEC

The body of sentiment advocating the repeal of the Federal Securities Acts and the abolition of the Securities and Exchange Commission is constantly growing.

With the atmosphere cleared by the abolition of the SEC, Congress should then address its attention to the passage of definitive legislation intended to prevent a repetition of those abuses of the late twenties, which have not been already cured by those provisions of the Banking Act of 1933 which eliminated investment banking affiliates of most banking institutions, placed restraints on the use of credit in the securities markets and put bank holding companies under the jurisdiction of the Federal Reserve Board where they held stock of member banks which they desired to vote.

When such transformation takes place, in the interim of change, our Federal Attorney General, our states' attorneys general, the local district attorneys and the administrators of the blue sky laws in the various states can be counted upon to hold the line.

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The Security I Like Best

tection. This safety factor consists of the recurring royalty-type of income which is expected to continue for at least 30 years. The income arises from Westpan's ownership of substantially all the liquid hydrocarbons in place in proven gas acreage located in the West Panhandle Field of the Colorado Interstate Gas Co. The natural gas reserves are very conservatively estimated at in excess of 3 trillion cubic feet. As the natural gas or "wet gas" is taken from the ground it passes through plants where the natural gasoline and liquefied petroleum gases are extracted. Westpan receives the liquefied constituents for resale or a percentage of net income derived from direct sales. It should be recognized that Westpan does not own any of the facilities required for the extraction process.

This income stream has a present day value which would be substantial even if exploratory operations were abandoned. Assuming the income to be $2.00 per share less $1.00 for Federal taxes, leaving $1.00 of net income which, if valued at 5%, would mean an investment price today of about $15.40 per share. As administrative expenses would be at a minimum in a royalty company, the full net of $1.00 per share would be available for dividends. A more realistic method of appraising this income might be to consider it as derived from a tax free trust through which the investor could receive the full amount of the revenue without double taxation.

Seldom is the investor afforded an opportunity to participate in the growth of a new company with the promise of Westpan Hydrocarbon. The very basic elements of business success are strong sponsorship, superior management and a renewable supply of free cash. In a field so potentially rewarding, Westpan common appears to offer an exceptional long-term play at its current over-the-counter price of approximately $15 per share.

Now With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla. — Lorin G. Nelson has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, Lincoln building.

Joins Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Oliver J. Dufva has been added to the staff of Investment Service Corp., 444 Sherman Street.

H. D. Fairlie Opens

MONTCLAIR, N. J.—Henry D. Fairlie is engaging in a securities business from offices at 6 Curtis Terrace.

Renyx, Field Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Arthur F. F. Snyder has been added to the staff of Renyx, Field & Co.

Hugh W. Long and Co. Moves Chicago Office

CHICAGO, Ill. — Mid-Western headquarters of Hugh W. Long & Co. have been moved to 105 St. LaSalle Street, Chicago 3, Ill. (Room 1400). Resident Vice-Presidents of the company are Harry L. Sebel and Forest G. Thorne. New phone number of the office is FInancial 6-1037. Teletype number remains the same—CG 230.

Barth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert C. Crary is now affiliated with J. Barth & Co., 210 West Seventh Street. He was previously with E. F. Hutton & Company.

Joins Campbell & Robbins

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — George D. Belford has become affiliated with Campbell & Robbins, Incorporated, U. S. National Bank Building. He was formerly with Walston & Co.

John C. Hagan Gov. Of Investment Bankers

John C. Hagan, Jr., Mason & Hagan, Inc., Richmond, Va., has been elected to the board of governors of the Investment Bankers Association, to serve the unexpired term of Walter S. Robertson, Scott & Stringfellow. Mr. Robertson recently became Under-Secretary of State for Far Eastern Affairs.

Two With First of Mich.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Earl A. Miller and Stewart R. Parent have joined the staff of First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gardner Brooks is now with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Unemployment Insurance

By ROGER W. BABSON

Mr. Babson, in commenting on abuses of unemployment insurance, says "getting fired" in order to collect insurance is becoming a fast growing racket. Discusses inventory situation, instalment debts and labor leaders. Says many local banks are "encouraging unnecessary borrowing."

During the past winter, while in the South, I received many interesting letters which I have saved. Most of these letters can be classified under four headings: (1) Unemployment Insurance, (2) Excess Inventories, (3) Personal Debts and (4) Labor Unions. As these letters come from over 30 different states, they give a cross section of what the average businessman is thinking about.

Roger W. Babson

Unemployment Insurance

For a very subtle reason most businessmen, especially retailers, are not opposed to unemployment insurance. They feel that if a depression comes, these unemployment checks—as well as pensions, old-age assistance and other sources of Government, State and Municipal aid—will be of real help in preventing a business collapse. Doubtless these checks from the public treasury will cushion a decline in their business when unemployment comes. But why have the unemployment?

These letters almost unanimously, however, complain about the present abuse of this unemployment insurance. For instance, in Massachusetts a person who earns approximately $500 in each quarter of a year, or approximately $2,000 a year, is entitled to collect $25 for 23 weeks for unemployment, or $575. But the laws of the various states vary somewhat as to the amount paid and the duration of payment. If these were bona-fide cases, it would not be so bad; but my correspondents claim that a large proportion of these "unemployed" have purposely arranged to get "fired" in order to get this insurance. In other words, it is becoming a fast-growing racket which is upsetting the employment situation, undermining the character of employees and causing an unnecessary drain on public funds. If unemployment offices are not operated by politicians and their friends, officials do seem to be shutting their eyes to this abuse. It should be stopped.

Danger of Excess Inventories

John C. Lang of Baltimore, writes a letter which is typical of many similar letters. He calls attention to the excess inventories which businessmen for various reasons feel obliged to carry. Of course, the future of your community depends, in the long run, on keeping purchasing power and inventories on a reasonable balance.

Such a balanced condition would help to give your community a steady but gradually increasing prosperity. Various suggestions have been made for preventing excessive inventories. One is that the Excess Profits Tax be switched to an Excess Inventories Tax. Surely, some check on excess inventories is needed to avoid a business depression. I hope each merchant will be careful.

Installment Debts

The American people are today indebted for $19.3 billion due on installment purchases. Savings are larger than ever and these should, to a certain extent, serve as an offset. Unfortunately, however, Congress has not given the Federal Reserve System the power to curb consumer credit, and this unnecessarily permits further credit expansion.

A dangerous feature of the situation is that local banks, which refused to loan customers when they were out of employment and needed the money, are now, with higher prices being paid for automobiles, refrigerators, fur coats, etc., encouraging unnecessary borrowing. I hope they will be careful and avoid a policy which would not be good for their community.

Labor Leaders

From almost every state I receive complaints about the arbitrary actions of union labor. My correspondents do not object to the carpenter, painter, plumber, bricklayer, etc., getting more pay. They, however, complain desperately that these workers are not producing what they should and are loafing on the job. The workmen in turn blame the problem on the labor leaders. All of this sets up a vicious circle which sometime must collapse.

I am a great believer in every family having a home, and hence have always encouraged the building and buying of homes. I fear, however, that the present attitude of labor leaders may cause the building boom to collapse. Considering that the building of a small house aids 27 different industries, such a collapse should be avoided.

R. B. McEntire Quits S. E. C. Membership

WASHINGTON, D. C.—Richard B. McEntire has resigned as a member of the Securities & Exchange Commission effective immediately. Mr. McEntire, who is second oldest Commissioner in point of service, has held his post since 1946.

There are now only three Commissioners in charge of the SEC, Republican, Adams; Democrats, Rowen and Cook. Mr. Cook is still Chairman of the Commission, but has informed President Eisenhower he will resign when a Republican Chairman has been named.

Phila. Investm't Women Elect New Officers

PHILADELPHIA, Pa.—New officers elected by the Investment Women's Club of Philadelphia are E. Louise Powell, Kidder, Peabody & Co., President; Sara M. Grabill, Stroud & Co., Inc., Vice-President; Helen Schnetke, Raffel & Co., Treasurer, and Margaret Devine, Harrison & Co., Secretary.

Committee Chairmen appointed were, Daisy M. Larson, National Association of Securities Dealers, Membership; Dorothy G. Jenkins, DeHaven & Townsend, Crouter & Bodine, Publicity; Catherine T. Hunter, H. M. Byllesby & Co., Inc., Entertainment; Ann M. Barnes, Jenks, Kirkland & Grubbs, Education.

Holds Inventories Not Out of Balance

Robert R. Dockson, Economist of Bank of America, says study indicates inventories are being well-controlled by business as a whole and rate of accumulation has slowed down recently.

A study of the national inventory picture just made by the Economics Department of the Bank of America, indicates that inventories are being well controlled by business as a whole, and are not out of balance with current needs.

Robert R. Dockson

A summing up by Robert R. Dockson, the bank's economist, states:

"Durable goods inventories, built up during the closing months of 1952 and maintained at high levels during the opening months of 1953, are fairly well balanced and in line with current sales. Substantial further accumulations are not to be looked for in the absence of greatly increased sales or a resumption of the upward movement of prices.

"Stocks of nondurable goods have declined, while sales have increased. Inventories in this sector are lighter than might be expected when recent inventory to sales ratios are compared with those for earlier periods."

Some concern had been caused by a rise in inventories of manufacturers, wholesalers and retailers to a total of $75.2 billion at the end of March. Total business inventories increased 3.4% during the current buildup period which began last August.

According to the study, the buildup was in durable goods. Total stocks of nondurable goods have declined. The rate of inventory accumulation slowed down in recent months to an annual rate of 3%, which coincides fairly closely with the normal growth of the economy.

The study takes note that while inventories have been built up, new orders for goods have equalled or exceeded the volume of sales, and the backlog of unfilled manufacturers' orders totals $74 billion compared with $69 billion a year ago. "The record volume of sales as well as the determination of business at all levels to exercise great care in the purchasing of goods are working to prevent the type of inventory glut which in the past has resulted in painful liquidation," Dockson states.

Holds Interest Rate Rise a Manifestation Of Free Market

"Guaranty Survey," publication of Guaranty Trust Company of New York, says outcry against "tight money" reveals number of misconceptions, and supply and demand for money can never be balanced at a fixed rate. Denies banks are only beneficiaries of higher interest rates.

The June issue of the "Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, explains the case for higher interest rates by stating a rise in interest rates is simply one manifestation of the return to free markets.

"The outcry against 'tight money' reveals a surprising number of basic misconceptions, even in quarters where more understanding might be expected and is needed," the "Survey" comments, adding:

"Perhaps the most pervasive of these misconceptions is that the Federal Treasury is responsible for the interest-rate level. In reality, Treasury domination of the money market ended more than two years ago. In March, 1951, the Treasury and the Federal Reserve System reached an accord whereby the Federal Reserve abandoned its wartime and early postwar policy of 'pegging' prices of government securities and resumed its normal statutory function of regulating the credit supply 'with a view to accommodating commerce and business and with regard to . . . the general credit situation of the country' (the language of the Federal Reserve Act).

"As long as the Federal Reserve continued to support the government securities market, the Treasury remained free to borrow at such interest rates as it chose to pay, and the Federal Reserve was obliged to stand ready to purchase from owners all securities offered at prices corresponding to the predetermined rates. Such purchases increased bank reserves and thereby formed the basis for an expansion of the money supply.

"Any effective regulation of credit by the Federal Reserve under such conditions was obviously impossible. The supply of and demand for money can never be balanced at a fixed interest rate, any more than the supply of and demand for a commodity can be balanced at a fixed price. If the interest rate is set too low, demand will increase, and the only way to keep the rate low is through a continuous and unlimited expansion of the money supply. That is inflation.

"Another widespread misconception regarding the advance in interest rates is that banks and other lending institutions are the principal beneficiaries," the "Survey" analysis continues.

"Among the comments of critics are such statements as that tighter money has 'made it easier for banks, insurance companies, corporations, and private investors to obtain higher interest rates, and thus higher profits, on money loaned to the government' and that 'it has been a decidedly favorable setup for the banks and banking interests.'

"The critics might recall that money has likewise been loaned to the government by millions of small holders of savings bonds, who have found that they made a bad bargain when they responded to patriotic appeals for their savings, because the value of the invested dollars shrank faster than the number of dollars increased, and who as a result have become more and more reluctant to buy such bonds. They might recall the other owners and receivers of dollars, such as pensioners and others dependent upon fixed incomes, who have suffered severely from the cheapening of the currency and whose position could become dire if the depreciation should continue.

"These groups, not the lending institutions, are the chief direct beneficiaries of the rise in interest rates. For interest rates are not merely the score in a contest between borrowers and lenders of money. They are one of the most powerful stabilizing factors by which the value of money is maintained. Indirectly, everyone benefits, because sound money is indispensable to a healthy economy.

"Comment on the money market has revealed a number of other misconceptions. One of these is that the present rate level is unduly high. As a matter of historical fact, it is very moderate for a time of active business and expanding credit. Only in comparison with the abnormally low rates of the depression years and the artificial rates of the war and postwar periods is the present level high. The 2⅝% rate on commercial paper, for example, seems high by contrast with the low of ¼% in 1941, but not when it is compared with the 6% reached in 1929 or the 7½% attained in 1920. Before 1929 a rate below 4% was a rarity.

"In the light of such comparisons, assertions that today's rates are injurious to business and agriculture fall rather flat. Perpetually easy money is, of course, agreeable to borrowers who are concerned only with immediate dollars-and-cents considerations. Perpetually easy money, however, means inflation, which is injurious to all in the long run. Those who find fault with the present situation refer to the 'dangerous spiral of interest rate increases' but omit to mention the spiral of wage and price increases that gave the country its 50-cent dollar during the years when the Federal Treasury was dictating the interest rate for its own supposed benefit.

"Some critics apparently fear that tight money will bring on a business recession. It can be argued with equal force that tight money will check the exuberance of the boom and thereby ease the recession when it comes. If there is a business recession, it will be the result of a preceding over-expansion. To allow the over-expansion to run on unchecked by maintaining artificially easy money would be a curious way of preventing or moderating the recession.

"Even among those who approve of the new monetary policy as a matter of broad principle, there are some who believe that the time has come to reverse the trend and make funds more readily available. This view is based on the expectation of a coming business recession and the belief that easier money would help mitigate its effects.

"Such forecasts are defensible and may even be right. Central bank policy, however, must be based on existing conditions, not on unprovable assumptions regarding what may happen at some indefinite future time. Against such vague fears, it is possible to point to dozens of reasons for the present hands-off policy. Credit demands continue unabated. Employment is at a practical maximum. Industrial production and gross national product are at all-time highs. Demands are being made for a new round of wage increases. The velocity of circulation of the existing money supply is still relatively low, and an acceleration would be equivalent, in its inflationary effect, to an increase in volume. The Federal Treasury is faced with a heavy deficit for the current calendar year, and a substantial portion of this may have to be borrowed from the banking system. Tens of billions of dollars of Federal debt is redeemable at the option of holders on short notice."

With J. J. B. Hilliard

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — Oscar S. Bryant, Jr. has become associated with J. J. B. Hilliard & Son, 419 West Jefferson Street, members of the New York and Midwest Stock Exchanges. Mr. Bryant was formerly with French & Crawford, Inc. of Atlanta.

But Private Funds Must Be Attracted

"There is always a great deal of talk is this country about the importance of government aid to Europe, but the public hears little if anything about the need for private investment. Government money or aid from this country to other governments tends to be spent in a way that furthers socialization, because none of it goes directly into private business.

Walter Hoving

"Money spent by governments on special projects, while it may help, is not spent as carefully as would the funds of private enterprise. Money going into private business would be used more efficiently and create more employment and production than would government spending. In this way it would further democracy rather than socialism."—Walter Hoving, President of Lord and Taylor, upon his return from a two-month business trip abroad.

We agree, of course, but must add that it would be folly to expect private funds to flow where good business judgment suggests that they do not go—and it is all to the good that such is the case.

Bond Club Field Day Features Golf, Etc.

Wall Street sportsmen will get a chance to display their athletic prowess in a wide variety of competitive meets at the annual Bond Club of New York Field Day, according to an announcement made today by Edgar J. Loftus, Field Day Chairman. The outing takes place Friday, June 5, at the Sleepy Hollow Country Club in Scarsborough.

Attention of Bond Club sports fans is centered on the golf tournament, while non-golfing members will be given a chance to pitch horseshoes or play tennis—all for prizes. No trophy will be awarded the winner of this year's athletic specialty, a bike race in which Bond Club members will team up with comely misses on hand for the occasion. Sedentary members can get their exercise vicariously through strenuous watching.

This year, as last, the golfing contest will be a two-ball foursome, selected drive medal play tournament, William E. McGuirk, Jr., Golf Committee Chairman, announced. About 170 golfers will compete for prizes awarded the winners in various categories, headed by play for the traditional Bond Club trophies — the Ex-President' Cup for low gross, the Candee Cup for low net, the Christie Cup for match play versus par. Individual prizes will be awarded for low net and low gross, for most birdies, and for the longest drive on the second hole, and there will be a "kickers" handicap prize. Hula girls will entertain players and raise scores during the tournament. For those who prefer peace and quiet while they golf, the nearby Blind Brook Course will be available on special request. Golf equipment will be awarded winners of the customary hole-in-one contest.

While golfers are enjoying themselves on the links, tennis enthusiasts will match skills in their own tournament. Two brackets will be drawn in the doubles contest and the playoffs will take place in the afternoon. Prizes go to each member of the winning and runners-up teams. Horseshoe pitchers, whose contest runs concurrently with the tennis tournament, also rate prizes for the winning and runners-up teams.

All hands expect more entertainment from the bike races than from all the other matches combined. Run as relay races, bond men will team up with erstwhile Hula girls, and nobody except the bettors will care who wins.

Correction

In The Financial Chronicle of May 14th it was reported that J. L. Walton had re-established J. L. Walton & Company in Bellingham, Wash. Mr. Walton, although he is contemplating the re-establishment of J. L. Walton & Company at an early date, is still associated with Walston & Company as registered representative.

New York Analysts Elect Officers

S. B. Lurie

William White

Sidney B. Lurie, of the New York Stock Exchange firm of Paine, Webber, Jackson & Curtis, was elected President of the New York Society of Security Analysts, Inc., at the annual meeting, succeeding Marvin Chandler of Reis & Chandler, Inc. Mr. Lurie is a director of the National Federation of Financial Analysts Societies and has been Vice-President of the New York Society. He has been active in its affairs for the past ten years.

William R. White, of Hornblower & Weeks, was elected Vice-President of the Society. W. Sturgis Macomber, of Reynolds & Co., was elected Secretary and Albert P. Squier, of the New York Institute of Finance, was voted Treasurer. The following members were newly elected to the Executive Committee: Nicholas E. Crane of Dean Witter & Co., Harold B. Dorsey of Argus Research Corp., Charles B. Eddy, Jr., of the New York Trust Co., David W. McKnight of G. H. Walker & Co., George F. H. Nelson of U. S. Steel and Carnegie Pension Fund, and Joseph S. Stout of National Shares Corp.

The New York Society of Security Analysts is the largest of 12 such societies which comprise the National Federation of Financial Analysts Societies. Membership in the New York Society now numbers over 1,800, while the National Federation has over 3,500 members. In the past two years, membership has increased by over 40 percent.

Kuhn, Loeb Arranges Private Placement

The Richfield Oil Corporation on June 1 announced that it had consummated a $65,000,000 financing program.

The sale of $40,000,000 30-year 3.85% sinking fund debentures was made privately to institutional investors through Kuhn, Loeb & Co. Of the debenture proceeds, $24,000,000 was made available immediately and $16,000,000 is subject to call in the first quarter of 1954.

Bank financing, consisting of $25,000,000 unsecured promissory notes, bearing 3.25% interest and payable in 10 annual installments to 1963, was arranged with a group of 19 banks headed by Bank of America, N. T. & S. A., which also acted as agent. Notes currently held by banks aggregating $25,000,000 bearing 1.85% interest and due in 1956, were paid with the new notes.

The proceeds of the financing will maintain working capital funds at the present high level notwithstanding heavy expenditures currently budgeted for refinery expansion and other capital purposes.

The new debenture and bank financing, together with the outstanding $25,000,000 of 25-year 2.85% sinking fund debentures due in 1974, will bring Richfield's total long-term debt to $90,000,000, so arranged as to terms that it is payable in equal amounts of $2,000,000 for the next 30 years.

Canadian Securities

By WILLIAM J. McKAY

Because of the rapid expansion of industry in Canada during the last decade it is not surprising, as pointed out in the current issue of the "Monthly Review" of the Bank of Nova Scotia, that Canada is the largest importer of capital goods in the world.

In 1951, says the "Review," Canada imported more than $1,000 million worth of machinery and transport equipment. Of this, machinery imports amounted to $734 million, roughly three to four times as much as was imported by any of the major western European countries, the United Kingdom or the United States. A comparison with the principal Commonwealth countries shows that in 1950 and 1951 Canada's imports of machinery were as large as those of India, Australia and South Africa combined.

These big machinery imports reflect the demand for many highly specialized types of capital goods arising from Canada's postwar capital investment program. Expenditures on new construction and on new machinery and equipment in Canada in the seven years since the end of the war have amounted in total to the extraordinary figure of over $24 billion, and the $5.4 billion planned for this year would bring the total to nearly $30 billion.

Important as capital goods imports are, it would be a mistake, in the opinion of the "Review," to minimize the importance of the Canadian market for consumer goods. In 1951 imports of such goods amounted to no less than $815 million, or 20% of total imports. They ranged through all types of consumer purchases from automobiles and household appliances to clothing and foods. Although it is perfectly true that the major part of the everyday needs of Canadian consumers are met from Canadian production, there exists a substantial market in Canada for imported goods. Small inexpensive cars, quality clothing and footwear, leather goods, watches, china and glassware, wines, fancy biscuits and confections are examples of imported products which enjoy a substantial market in this country.

Canadian experience, the "Review" points out, bears out the oft-demonstrated principle that an increasing degree of industrialization makes a country not a poorer but a better customer of other nations. Canadian industrial production is 2½ times as large as it was before World War II; the country is supplying an increasing proportion of her requirements of many commodities — petroleum products and synthetic yarns and fibres are notable examples—and the list of new products not previously made in Canada is constantly lengthening. Yet imports have grown almost as much as domestic production.

The Canadian market has one major disadvantage from the point of view of overseas exporters—the fact that U. S. business is so well entrenched in it. For many years the United States has supplied two-thirds or more of Canada's imports. This state of affairs is explained, of course, by the very close relationship between the two economies, and the assiduous cultivation of the market by Americans. Overseas exporters, if they are to enlarge their share of the Canadian market, must be able to meet American competition in deliveries and in service as well as in price and quality.

Against the effort necessary to obtain a place in this exacting and highly competitive market must be weighed its undoubted advantages. It is one of the largest and most varied markets in the world. As a market for capital goods it is unrivalled. Its high standard of living means that it offers opportunities for high-quality consumer specialties.

The "Review" also points out that Canada is an easier market to enter than the United States. Its Customs procedures are simpler and much less subject to delay and uncertainty. In general, its tariffs are somewhat lower than those of the United States, and much lower for Commonwealth countries, which have the advantage of the British preferences.

It should be emphasized, the "Review" concludes, that the Canadian market is one of the few important markets in the world free of quantitative restrictions and similar import and exchange controls. In a period when such barriers to the free movement of goods across international boundaries are the rule rather than the exception, this is surely a consideration of no small moment.

Ira Haupt Issues New Inv. Letter

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, announce the publication of a new advisory letter service. Known as the Attorney's Investment Letter, it is designed particularly for attorneys to equip them better to advise their clients on investment problems. The new letter discusses technical matters too frequently understood only by professional investors, such as the formula plan of investing for trust accounts, advantages and disadvantages of discount tax exempt bonds, stocks whose dividends are partially or completely tax exempt, etc.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At a meeting of the Board of Directors of **The National City Bank of New York,** held on June 2, Granville S. Carrel, formerly an Assistant Vice-President, was appointed a Vice-President. He is head of the bank's Public Relations Department. Mr. Carrel joined National City in June, 1929, immediately following graduation from the University of Pennsylvania with a BS Degree, and rotated through various divisions and branches of the bank. Prior to World War II, during which he served four years as a Colonel and Chief of Military Personnel for the U. S. Air Forces in Europe, he was associated with the bank's Western District of the Domestic Division.


Granville S. Carrel

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Leonard E. Livingstone, who ranks among the deans of Bank Comptrollers, retired on May 29 as Vice-President of **Chemical Bank & Trust Company of New York.** Mr. Livingstone started his banking career in 1913 as a messenger at the **Citizens National Bank of Louisville, Ky.** It was there that he attracted the interest of Percy H. Johnston, then Cashier at Citizens, who suggested that he undertake a course of night study. Following Mr. Johnston's advice, Mr. Livingstone was graduated from the Jefferson School of Law (now part of the University of Louisville) in 1917, and he also studied higher accounting and business administration. On Feb. 18, 1918, Mr. Livingstone went with Chemical Bank, where Mr. Johnston was then Vice-President, starting as manager of Chemical's Analysis Department. He was appointed Auditor in 1919 and Assistant Comptroller in 1924. In 1929, he was named Comptroller and served in that capacity until his election as Vice-President early in 1953.

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Chemical Bank & Trust Company of New York has elected Sidney W. Davidson to the Advisory Board of its 30 Broad Street Office, it is announced by N. Baxter Jackson, Chairman. Mr. Davidson is a member of the law firm of Davidson, Dawson & Clark, N. Y. C.; director of Globe Newspaper Co., Boston; President and trustee of Gould Academy, Bethel, Maine; Vice-President and trustee of Brooklyn Institute Arts and Sciences, trustee of Brooklyn Savings Bank; Brooklyn Museum, and Pratt Institute, Brooklyn, N. Y. etc.

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Election of Richard C. Klugescheid as a Director of the **Industrial Bank of Commerce of New York** was announced on May 28 by Walter E. Kolb, President. Mr. Klugescheid is Vice-President of Kennecott Copper Corporation.

* * *

Charles Ezra Sprague, President of **Union Dime Savings Bank of New York,** from 1892 to 1912, and one of the country's foremost accountants, is the first banker to be elected to the Accounting Hall of Fame at **The Ohio State University.** Walter R. Williams, Jr., Vice-President of Union Dime, went to Ohio on May 21, to attend The Ohio State University's 15th Annual Institute on Accounting and to receive the testimonial honoring the memory of Col. Sprague. The citation spoke of his "having made distinguished contributions to the advancement of the accounting profession." Col. Sprague was one of the first to quality as a Certified Public Accountant. To accountants, probably his most important contributions were his preparation of the first CPA Law and his service on the first State Board of Examiners. He was one of the founders in 1900 of the School of Commerce, Accounts and Finance of New York University, and taught night school there until his death. In 1877 Col. Sprague became Secretary of Union Dime Savings Bank and later was made Treasurer. In 1892 he was elected President, which post he held until his death in 1912. From 1904 to 1905 he was President of the Savings Bank Division of the American Bankers Association. He also made important contributions to savings bank bookkeeping through the improved systems he devised. The inventer of the "Automalothotype," he failed to patent it, and this forerunner of banking machinery was soon copied. The Colonel wrote a number of books on banking and accounting, his best known being "The Philosophy of Accounts." His bond tables are still in use today.

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As of May 29 the capital of the **Bensonhurst National Bank of Brooklyn, N. Y.,** was increased from $500,000 to $600,000 by a stock dividend of $100,000.

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The County Trust Company of White Plains, N. Y., opened a new drive-in office in Mount Vernon on June 2. The addition brings County Trust's totals to four offices in Mount Vernon and 23 throughout Westchester County.

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According to the New York State Banking Department the **State Safe Deposit Company of Albany, N. Y.,** filed an application on May 26 for permission to open a branch office in Chatham, N. Y. —the application having been made, it is stated, incident to the proposed merger of the State Bank of Chatham into the State Bank of Albany.

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The **Home National Bank of Ellenville, N. Y.,** has increased its capital from $50,000 to $160,000, effective May 22, the increase having been brought about by the sale of $60,000 of new stock, and a stock dividend of $50,000.

* * *

The Hartford National Bank & Trust Co. of Hartford, Conn. will establish its sixth branch in the Greater Hartford area in the Bishop's Corner Shopping Center, in West Hartford, it is announced jointly by Ostrom Enders, President of the bank, and William A. Mauser, builder of the 16-acre suburban shopping development at the corner of Albany Road (U. S. Route 44) and Main Street.

The bank has leased for a long-term of years a total of 8,000 square feet of space at the corner of the store and office building now under construction. Complete banking facilities will be offered in the new branch which is scheduled for completion in the early Fall. Founded in 1792, Hartford National is one of the country's oldest banking institutions. Its main office is at Main and Pearl Streets, Hartford, and it now maintains branches in Ellwood, East Hartford, at two other locations in Hartford and at West Hartford, which branch is to be continued at 966 Farmington Avenue.

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With the addition of $150,000 to its capital the **Pennsauken National Bank of Pennsauken, N. J.,** has enlarged the capital from $100,000 to $250,000 effective June 1. The increase came in part from a stock dividend of $100,000 and the sale of $50,000 of new stock.

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According to the Philadelphia "Inquirer" of May 30, C. Budd Heisler has been appointed an Assistant Vice-President of **Central-Penn National Bank of Philadelphia.**

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Charles M. Borland, of the Springdale office of **Peoples First National Bank & Trust Co. of Pittsburgh,** has been elected an Assistant Vice-President of the bank, with John M. Snodgrass of the West View office, receiving the same promotion, according to the Pittsburgh "Post Gazette" of May 26, which also stated: "Both have been assistant cashiers. Robert M. Ingram, of the Northside office, was elected Assistant Secretary."

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As of May 15 the **Peoples National Bank of Washington, Pa.,** with common capital stock of $100,000, was placed in voluntary liquidation, having been absorbed by the **Peoples-First National Bank & Trust Co. of Pittsburgh, Pa.**

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The issuance on May 14 of a charter for the **Lake County National Bank of Painesville, Ohio,** is reported in the May 18 weekly Bulletin of the Office of the Comptroller of the Currency, at Washington which reports the capital as $400,000 and the surplus as $600,000. Glick Schultz is President of the primary organization.

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Harold Kuhlman, manager of the bookkeeping department of **First National Bank in St. Louis,** has been appointed a special correspondent bank representative for Missouri, it was announced recently by William A. McDonnell, the bank's President. Mr. Kuhlman, who began his First National career in 1926, has been bookkeeping manager since 1951. Prior to that he served as supervisor in the transit department for 10 years, and had wide experience in other departments. Mr. Kuhlman has been active for a number of years in the American Institute of Banking and on three occasions represented the St. Louis Chapter at national AIB conventions. He was President of the First National Bank Club in 1947. He will assist Carroll Burton, Vice-President, and Leonard J. Schrewe, Assistant Vice-President, in covering the State of Missouri for First National Bank.

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Through a stock dividend of $200,000 the capital of the **First National of Gainesville, Florida,** was raised on May 25, from $200,000 to $400,000.

With A. M. Kidder & Co.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Louis A. Hornstein and Philip D. Stokes have joined the staff of A. M. Kidder & Co. Mr. Hornstein was formerly with Security Associates.

Glore Forgan Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert H. Glore has become affiliated with Glore, Forgan & Co., 135 South La Salle Street. Mr. Glore was previously with the First National Bank of Chicago.

Neilson Heads New York Bankers Association

57th Convention Meeting on board the S.S. "Bermuda" names Stanley A. Neilson, President of the Bank of Gowanda, N. Y. as President; also elects Hulbert S. Aldrich, President New York Trust Company as Vice-President, and Warren B. Unbehend, President of the Lincoln National Bank and Trust Company of Syracuse, as Treasurer.

Meeting on board the S.S. "Bermuda," beginning May 24, the 57th Annual Convention of the New York State Bankers Association elected as President for the ensuing year, Stanley A. Neilson, President of the Bank of Gowanda (N. Y.). He succeeds Ernest H. Watson, President of the First National Bank of New Rochelle. The Convention elected as Vice-President, Hulbert S. Aldrich, President of the New York Trust Co., and as Treasurer, Warren B. Unbehend, President of the Lincoln National Bank and Trust Co., Syracuse, N. Y.


Stanley A. Neilson


Hulbert S. Aldrich


Warren B. Unbehend


Albert L. Muench

Mr. Nielson was born in Buffalo, N. Y., on Jan. 2, 1890. He served with the Marine Trust Co. of Buffalo from 1908-10 to which institution he returned in 1912, after working with the Liberty National Bank in New York. He became Assistant Cashier of the Bank of Gowanda, in 1916 where he advanced by steps to the office of President in 1937. He is a director of the bank, and also President and director of E. L. Gayvert and Co. and the Super Service Co., Buick dealers, and holds various positions with other corporations.

Hulbert S. Aldrich, the new Vice-President, was born in Fall River, Mass. on April 3, 1907. He graduated from Yale University in 1930 and in the same year joined the staff of the New York Trust Co., advancing to its Presidency in 1951.

Warren B. Unbehend, the newly elected Treasurer, is a graduate of the Graduate School of Banking, Rutgers University, and is now President and a director of the Lincoln National Bank and Trust Co. of Syracuse, New York, as well as a director in numerous local and national business and philanthropic organizations.

Albert L. Muench remains as Secretary of the Association. He submitted his annual report to the membership, in which he stressed the setting-up of a graduate public relations seminar to be conducted at Syracuse University.

Exhibits on Display at N. Y. Stock Exchange

An operating radar system on an ocean transport and a large-scale, working model of a farm-factory-ranch scene will go on display for the first time this morning in the New York Stock Exchange Public Reception and Exhibition Room on the second floor of 20 Broad Street, Keith Funston, Exchange President, announced last night.

The animated exhibits are sponsored, respectively, by Sylvania Electric Products, Inc., and Aluminum Company of America.

The Alcoa exhibit — replete with moving figures of men and machines at work—not to mention a flowing river and an overhead sprinkler system actually watering a truck garden—is nine feet long and high and nearly five feet deep.

The three-dimensional scene includes trucks transporting aluminum ingots, sheets and bars from Alcoa's factory to a fabricating plant; two farms—a modern one with large aluminum barn, silo and outbuildings and an old farm with weather-beaten buildings and outmoded facilities, and a Western ranch complete with swimming pool. An outdoor drive-in movie theatre is included, where pictures depict plants and processes of the exhibitor—as well as the vital relationship of the American investor to American industry.

The Sylvania exhibit is 13 feet long, nine feet high and five feet deep.

The Exchange visitor stands on the bridge of the transport and in front of a working marine radar system—his to operate. The sea scene ahead gives the viewer the impression of being aboard a moving ship. Watching the radar system, the visitor learns when the course is clear; when danger lurks ahead; when trouble looms from the sky. He is warned that his ship is approaching an iceberg, or that airplanes, possible hostile, are headed his way.

As the radar searches out the planes and icebergs, their distance from the ship is measured.

In addition to these two new exhibits, General Electric, Celanese Corporation, the Association of American Railroads and the Stock Exchange itself have displays in the room at 20 Broad Street, which opens on the famous Visitors' Gallery overlooking the Exchange trading floor.

More than 1,000 visitors are welcomed daily by the Exchange's staff of seven trained receptionists; on average each visitor spends about 45 minutes viewing the exhibits and the trading floor.

The visitors may also see the Exchange's new motion picture, "What Makes Us Tick," in the 40-seat theatre.

The Reception and Exhibition Room is open from 10:00 a.m. to 3:30 p.m., Monday through Friday.

W. C. Thornburgh Adds

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Robert W. Graham is now with the W. C. Thornburgh Co., Union Trust Building.

With Marshall Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Lawrence DeSwarte is now with The Marshall Company, 765 North Water Street.

Continued from page 16

Can We Solve the "Trade—Not Aid" Problem?

follow the same policies even though they are very reluctant in some cases to do so. We ourselves have carried this perfectly laudable policy rather far in that we try not merely to prevent raw materials needed for the manufacture of arms and ammunition from reaching our opponents but, in addition, we seek to prevent such articles as, for example, pharmaceutical products from reaching our enemies not merely by forbidding direct shipment to them, but also by limiting the amount which our people may supply to friendly countries lest these latter ones export a part of that which has been sold them to China, Korea and elsewhere. Many of our allies are not as squeamish as that. Now the reason that our friends chafe at these restrictions is not because they are any more anxious than we are to furnish our enemies, active or potential, with weapons with which to kill our people, but is due to an historical fact, namely that trade is a curiously hardy animal. Do you recall from your school days reading in Caesar and Tacitus that apparently the Roman trader crossed hostile boundaries even while the Romans were waging war? So in our last two great world wars there were some curious occurrences. It has generally been stated—though I have never investigated the truth of this—that the British supplied the Germans with certain necessary materials while the Germans in turn let the British have chemicals which were particularly needed. Naturally, this was not by direct trade, but was done by selling to Holland or the Scandinavian countries, all of which were neutral during the first world war. Obviously this was with the more or less tacit connivance of the Germans and the British themselves.

Another fact to be borne in mind is that it is very difficult to change for long the great trade routes of the world which in many cases have existed since time immemorial. This is so true that when the Suez Canal was finished, in a sense it merely restored the normal trade route that had existed between the Occident and the Orient in classical times. The route around the Cape of Good Hope, which had become a necessity owing to the closing of the former highway by the rise of the Turkish Empire, soon was abandoned. So likewise the natural trade in Europe has been between the East and the West. In the long run a country like Germany can hardly develop satisfactorily economically, unless the great commercial highways along the Baltic and down the Danube are again opened to commerce without let or hindrance. Germany, and to a large extent even Great Britain, was for many centuries the entrepot for East Europe, sending there its own maunfactured goods as well as those of the rest of the world, and receiving in turn needed coal, oils, and food supply to a considerable extent from Russia and the Balkans. Let me warn you again that I am making my strokes with a pretty broad brush and that what I am saying may be true in an overall sense, but could be shown to be wrong in detail. By shutting off perfectly natural commerce, we are increasing the difficulties in reference to the dollar gap, for it forces many of the European countries to buy much more from us than they normally would or should. It isn't only in commerce but also in finance that what I have been saying applies to a certain extent because Great Britain and Germany and also France earned much from financing enterprises in Russia and her satellites. To be sure, sometimes they lost their money, just as we did in Latin America, but then that is part of the game.

You will be quite right in asking me, in view of what I have been saying: "What is it that you advise?" As a matter of fact, I have not really been trying to present a solution of the problem, but rather to have you understand how many-sided it is and how very difficult, therefore, it will be to find an absolutely correct answer. The probabilities are there isn't any one right way, and whichever direction we take, we shall face certain difficulties. In a sense, it is a choice between evils. However, I should like to end up by showing you, at least a sign post pointing to the road along which I think we should travel. It is, as I have been trying to show, a most complicated problem which to some extent only time can solve. I should say that what we ought to do is, in the first place, to simplify the regulations governing imports into this country and have everything open and aboveboard and if we wish to shut out watches and cheese, let us do it frankly and not in a round-about way. Then also we should not try to make the basis of our action merely the question as to whether the lowering of tariffs will affect harmfully certain industries in this country; at least that should not be the only consideration, and I do not think the present practice supported by some proposals made in Congress of compelling the Executive to raise tariff rates in every case if it is found that the present tariff makes it possible for foreign enterprises to compete successfully in this country. My proposal would be to take each case by itself. Let us look at the watch situation. The maunfacture of watches is one of the very chief industries of Switzerland, a country very friendly to us. The principal market has been unquestionably in this country. I doubt whether our watches, by and large, are as good as the Swiss watches, and watchmaking, when all is said and done, is not a major industry in this country. I have selected watches as an example because, as it happens, there is another aspect to the manufacture of watches and that is it probably trains people for making precision instruments which are badly needed in time of war and in our defense efforts. So I should say the question whether we should prevent the importation of Swiss watches or limit their number should be determined by (a) whether the watch industry in the country as a whole is so important that we must protect it regardless of the harm we may be doing to a friendly country, and (b) even if the watch industry is by and large not of major importance in this country, do we have to foster it in order to train people in certain methods and skills necessary for our defense? There are industries in this country of such a magnitude that we cannot allow them to suffer, and as I have indicated, there are others of major importance needed for our defense. I should say that those are the considerations that should be borne in mind in determining our tariff policy as against our desire to aid our allies to be able to trade rather than to receive aid. If it were possible, which it may not be in view of our whole political setup, to formulate plans for many years ahead, I should say that studies should be made whether gradually we cannot lower our tariff rates and change our regulations so that ultimately we may get more or less on a free trade basis. I don't think it should come suddenly for the reasons that I have tried to outline. In the long run, and I speak of that in spite of the wheeze of Lord Keynes, we ourselves and certainly our allies will be better off if we can, without injury to ourselves, encourage more and more trade between nations. Personally, I believe the day is still far off when the world, or any major part of it, will become politically or economically one, but I would agree that it is one of those ideals of which it may be said "your old men shall dream dreams and your young men shall see visions."

Vincent M. Doherty Opens Own Office

MIAMI, Fla. — Vincent M. Doherty has opened offices at 5600 Southwest 74th St. to act as dealer in municipal bonds. Mr. Doherty has recently been with J. R. Williston, Bruce & Co. in charge of the municipal department in the Miami Beach office. Mr. Doherty, who has been in the municipal business since 1914, formerly had his own investment business in West Palm Beach.

Vincent M. Doherty

Watt & Watt, Inc. Formed in New York

Watt & Watt, members of the Investment Dealers' Association of Canada and of the Toronto and Montreal Stock Exchanges, announce the opening of an affiliate company, Watt & Watt Inc., at 70 Pine Street, New York City, early in June.

The parent Canadian firm, founded 45 years ago, has its head office in Toronto and branch offices in Fort William, Port Arthur and London, Ontario.

The new affiliate will offer service in Canadian securities to U. S. brokers, dealers and institutions. It will not deal with the general public. Through private wires it will be able to furnish a complete service to all leading Canadian stock exchanges and bond markets.

Watt & Watt Inc. will have as its President, James A. Gardner, a partner of the parent firm. It will be under the management of Alfred M. Erlich, recently manager of the Foreign Securities Department of Hayden, Stone & Co. Mr. Erlich is a specialist in foreign exchange and arbitrage, and is well known in New York financial circles.

Formation of the new affiliate was previously reported in the "Chronicle" of May 21.

E. I. Gardiner Joins J. A. Hogle & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Edwin I. Gardiner has become associated with J. A. Hogle & Co., 1030 Sixth Avenue. Mr. Gardiner was previously an officer of R. E. Evans & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Current and prospective financing by insurance companies, including the generating circumstances, is a matter of considerable interest to investors and holders of insurance shares.

Two companies are now in the process of acquiring additional capital by the sale of common stock. Several other institutions have taken similar action since the first of the year. Current indications are that additional financing by other companies may be undertaken in the coming months.

One of the primary reasons for the larger capital requirements is that fire and casualty insurance is a growing business. The volume of premium writings has gained not only because of the increase in the value of property, but also, the number and types of risks which are now insurable are substantially higher than a decade ago. For example, the number of automobiles on the road is close to 50% greater than in 1940. This alone would mean a sizable increase in business if rates and values remained unchanged. However, the price level today is substantially higher than in earlier years, meaning that a larger amount of insurance is required to protect the same unit of property. Additionally many states have enacted financial responsibility laws which have made individuals more conscious of insurance.

Most of the capital funds for this expansion of premium writings has been generated internally. Historically, the general policy of insurance companies has been to pay dividends out of investment income, distributing up to 75% or 80%. Underwriting profits were retained together with the excess of investment earnings to provide capital for the growth of the business.

In recent years several factors have altered the foregoing considerations to an important degree. One of the most important of these has been the change in tax laws. Whereas prior to ten years ago corporation taxes enabled companies to retain a large part of underwriting earnings, the imposition of wartime rates and the high levies prevailing currently have absorbed a large portion of underwriting profits generated during the period. Thus the prewar underwriting margin of 5% has in effect been reduced to approximately 2½% by existing taxes.

A second factor in this connection has been the record of underwriting operations in recent years. While straight fire has been fairly profitable, some of the other lines, including automobile, have produced sizable underwriting losses. To aggravate the problem, these losses have occurred at a time when the capital needs of the industry were increasing.

This has resulted in conservative dividend policies with considerably less than the historical percentage of 75% of investment earnings being distributed to stockholders.

Companies with large common stock holdings have generally fared much better than others. For one thing they had adequate capital in the first place to permit a commitment in equities. In the second place the rise in stock values over the past ten years has added considerable to capital funds and helped to offset losses from underwriting, if any.

With these few general observations, it is interesting to note the amount of business written for each dollar of capital by various fire and casualty companies. The tabulation below is not necessarily indicative of the adequacy or inadequacy of capital funds of any particular company. Such a conclusion would have to take into consideration other factors such as underwriting and investment policies. However, it is interesting as a starting point and may provide a clue as to possible future financing.

	Dec. 31, 1952 Capital Funds	Net Premiums Written 1952	Written per Dollar of Capital
Aetna Casualty & Surety	$63,385,000	$124,673,000	1.97
Aetna Fire Insurance	55,231,000	123,519,000	2.24
American Automobile	21,778,000	72,238,000	3.32
American Fidelity & Cas.	5,501,000	23,856,000	4.34
American Surety	21,277,000	43,231,000	2.03
Automobile Insurance	34,584,000	60,682,000	1.75
Boston Insurance	30,874,000	40,272,000	1.30
Continental Insurance	201,821,000	135,977,000	0.67
Fireman's Fund	90,844,000	146,155,000	1.61
Firemen's Ins. (Newark)	50,520,000	143,540,000	2.84
Glens Falls Insurance	32,758,000	67,718,000	2.07
Hartford Fire	196,403,000	312,360,000	1.59
Home Insurance	169,803,000	214,047,000	1.26
Insurance Co. of No. Am.	260,147,000	226,861,000	0.87
New Amsterdam Casualty	21,898,000	75,486,000	3.45
Northeastern Insur. Co.	2,625,000	8,624,000	3.28
Ohio Casualty	13,271,000	43,195,000	3.25
Pacific Indemnity	11,835,000	27,873,000	2.36
Phoenix Insurance	82,076,000	73,210,000	0.89
St. Paul Fire & Marine	69,813,000	104,730,000	1.50
Security Insur. of N. H.	10,549,000	23,296,000	2.21
Standard Accident	21,249,000	56,920,000	2.68
U. S. Fidelity & Guaranty	76,822,000	169,708,000	2.21
Westchester Fire Insur.	27,477,000	20,473,000	0.75

The World Fund's Position On Currency Convertibility

By PAUL EINZIG

Commenting on promised support of International Monetary Fund to nations endeavoring to restore their currency's convertibility, Dr. Einzig contends although the Fund's reserve at present can go a long way toward maintaining exchange stability, its rules permit only piecemeal aid, since it is prohibited from granting facilities to member governments in excess of 25% of their quota per annum. Accuses Western Europe of securing dollars by buying in Sterling Area and reselling in United States.

LONDON, Eng.—Addressing the Congress of the International Chamber of Commerce in Vienna on May 20, Mr. Ivar Rooth, Managing Director of the International Monetary Fund, promised his full support to member governments of the Fund who will make an effort to restore the convertibility of their currency. His statement was characterized by a remarkable degree of optimism about the ability of the Fund to render effective assistance. This came as a complete surprise because during recent months there has been a growing realization of the difficulties in the way of restoring convertibility in the near future.

Dr. Paul Einzig

There is nothing new of course in the declaration of the Fund's willingness to assist in the restoration of the convertibility of currencies. Even though the Fund has been far from generous with its assistance since 1948, there could never be any doubt that, should there be a serious attempt towards restoring convertibility, it would receive support from the Fund within the limits of its capacity. Indeed one of the explanations why the Fund has been holding back during the last five years is that it has been anxious to reserve its resources for precisely such purpose instead of frittering them away on piecemeal assistance before there is an attempt to return to convertibility.

What is astonishing is Mr. Rooth's optimism about the adequacy of the Fund's holding of gold and convertible reserves for the purpose of assisting convertibility. The amount of such reserves is now a little over $3,200 million. Mr. Rooth remarked that opinions might vary about the amount of supplementary reserves necessary to support general convertibility but $3,200 million was certainly a large part of what would be needed for this purpose. He appears to have forgotten, however, that the dollar loan of 1946 to Britain, the amount of which was well in excess of the Fund's present holding of gold and convertible currency reserves, was practically exhausted in a few months. Nor were the billions of dollars poured into Europe by the United States under the Marshall Plan able to bring any lasting relief.

It would be unwarranted optimism to suppose that conditions are now less unsettled than they were a few years ago, so that the Fund's reserve would go a long way towards maintaining international exchange stability. Within the last two or three years the world experienced some spectacular fluctuations in the balances of payments. Very large gold and foreign exchange reserves of various countries virtually disappeared within a few months. Had convertibility been in operation during the second half of 1951 and the early months of 1952 Mr. Rooth's $3,200 million would have proved to be highly inadequate for stemming the tide. Should there be a "peace slump" it would inevitably produce similar effects on balances of payments.

All this is a matter of opinion. Mr. Rooth's statement is open to criticism, however, from a purely factual basis. He omitted to mention the fact that under its existing rules the International Monetary Fund would not be in a position to use more than a small part of its resources in any one year. According to the statutes of the Fund it is not entitled to grant facilities to member governments in excess of 25% of their quota per annum. The operation of this rule would substantially reduce the amount which the Fund could place at the disposal of its member countries immediately after the restoration of convertibility. Its assistance would be a mere drop in the ocean. Before the Fund could claim to be able to assist its members effectively it would be necessary to eliminate the 25% limit.

There is altogether far too much wishful thinking among those who are anxious to see an early restoration of convertibility. The British Government, in spite of the negative response of the United States Government to the Commonwealth Economic Plan, is proceeding on the assumption that before very long the Washington Administration will change its mind and will be willing to lend its support to the Plan. On this assumption bilateral negotiations have been pursued with a number of Continental countries to ensure that if and when the United States is prepared to back up this scheme it could be applied without much delay. The object of these negotiations is to make sure that the countries of Western Europe would not then misuse the convertibility of sterling for their own purposes. No information is available about the nature of the safeguards Britain wishes to secure in this respect. It is difficult to imagine, however, any safeguards that could possibly be effective so long as a worldwide scarcity of dollars continues to prevail. It is reasonable to assume that notwithstanding any undertakings to the contrary, a number of countries would endeavor to secure sterling for the sole purpose of converting it into dollars. To that end their goods would be dumped on Britain while they would endeavor to discourage the import of British goods.

The British authorities had enough practical experience of this kind to realize the futility of paper safeguards. Even the existing limited convertibility within the European Payments Union is grossly and systematically misused by countries of the Union to secure dollars at Britain's expense. It has become a popular practice for Western European countries to buy British or Sterling Area goods which have markets in the United States and redirect them to the United States. The result is that British sales to the American market are reduced to a corresponding extent. For years the British authorities have been fighting persistently against this practice. They received scant support from the other governments of the European Payments Union. On occasions when the British authorities are able to communicate to Continental Governments definite information about such transactions these governments whose nationals are involved may feel compelled reluctantly to take action. They do not go out of their way, however, to assist Britain in the enforcement of the rules. Many loopholes have been stopped, however, but others came into existence in their place. There is no justification for assuming that it would be otherwise under a system of convertibility.

The only way to approach the problem effectively would be through the creation of conditions in which convertibility would stand a chance of operating even in the absence of support by the International Monetary Fund or by the United States. This end could only be achieved through the elimination of the dollar gap, whether through an increase of the dollar price of gold or through a more liberal American import policy. Under any other conditions the British Government would be asking for trouble if it were to proceed with convertibility.

Bache & Co. Admits Henderson as Partner

Ralph G. Henderson, formerly a partner of the firm of Collier-Norris-Quinlan, members of the Montreal Stock Exchange, has joined Bache & Co., members of the N. Y. Stock Exchange, Toronto Stock Exchange, and other leading stock and commodity exchanges, as resident partner in their Toronto office, 36 Melinda Street, it has been announced. A native Canadian, Mr. Henderson graduated from the University of Toronto with a B.A. degree in 1929 and soon thereafter entered the financial field by becoming associated with the investment department of the Canada Life Assurance Co. of Toronto. Joining Collier-Norris-Quinlan in 1934, he remained with the organization until his present association with Bache & Co., except for three years of service with the Royal Canadian Air Force, from which he returned with the rank of Squadron Leader.

Ralph G. Henderson

Chic. & North Western Equipments Offered

Offering of $3,930,000 Chicago & North Western Ry. 3¾% equipment trust certificates, maturing annually June 15, 1954 to 1968, inclusive, was made May 28 by Halsey, Stuart & Co. Inc. and associates. The certificates were priced to yield from 3% to 3.80%, according to maturity. Issuance of the certificates was subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following new standard-gauge railroad equipment, to cost not less than $5,240,000: 29 Diesel electric switching locomotives; two baggage cars; six chair cars and 12 caboose cars.

Associated with Halsey, Stuart & Co. Inc. in the offering are—R. W. Pressprich & Co.; Baxter, Williams & Co.; Freeman & Co.; Gregory & Son, Inc.; The Illinois Co.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.; and F. S. Yantis & Co.

Treasury Facing Difficult Situation

National City Bank of New York's "Monthly Bank Letter" says criticisms that Treasury is offering excessive rates on new borrowings are not justified, since demoralized money market conditions in May offered no alternative.

In a discussion of recent Treasury financing, the June issue of the "Monthly Bank Letter" of the National City Bank of New York, points out that in its new refunding and borrowing operations, the Treasury is facing a difficult situation in which it is forced to pay what, in some quarters, is considered as excessive interest rates. According to the "Bank Letter":

"Some observers expressed the feeling that the Treasury, faced by criticisms that it has been offering excessive rates on new borrowings, had cut the rate too fine and might have held the attrition down to more normal proportions with a 2¾% one-year rate. On paper, however, in terms of the general structure of yields on government securities at the time, 2⅝% looked like a fully adequate one-year rate.

"Actually the Treasury was confronted by a difficult if not impossible situation — a run for liquidity based on fears that the Federal Reserve authorities might allow loan funds to become entirely unavailable, or prohibitively costly, in the months ahead.

"While the 2⅝% certificates due June 1, 1954 went begging for buyers, there was a strong demand for Treasury bills at rates below 2⅛% for August, 1953 maturities all the way down to 1½% for June maturities. The 2⅝s could easily have been underwritten by the banks against increased borrowings from the Federal Reserve but here possibilities of discount rate advance entered into the equation as well as, and perhaps more importantly, the Federal Reserve's policy of complaining to banks that borrow too much or too regularly. These criticisms, however well justified they may have been in any particular case, created apprehensions that the Federal Reserve, after policing discounts down, might follow a narrowly restrictive policy this autumn when seasonally-expanding credit requirements have to be met. The effect of such apprehensions was to make banks put stress on gaining liquidity, keeping investments short, tightening up on loans, and readying themselves for second half-year requirements.

"On open market operations, the Federal Reserve early this year released $900 million from its Treasury bill portfolio in normal fashion to take up slack created by the seasonal return of currency. Thereafter, apart from temporary loans to the Treasury during the March tax period, the Federal Reserve maintained its holdings of government securities substantially unchanged through the close of April. During May the Federal Reserve made $157 million outright purchases of Treasury bills and also added $125 million to holdings under repurchase contract.

"These May open market purchases contributed to the decline in Treasury bill yields, made it easier for banks to reduce their borrowings, and suggested that the authorities were not unmindful of the practical problems of financing second half-year requirements.

"Assuredly, the Federal Reserve authorities have a difficult situation: a high-flying business boom, that demands the brakes of credit restraint, complicated by heavy public debt maturities and a sizable Federal deficit. The best lesson out of the experience is the necessity of a balanced budget for economic stability in this situation."

Two Utility Offers Underwritten by Blyth

The Public Service Co. of Indiana, Inc., yesterday (June 3) offered to holders of its common stock rights to subscribe for 472,301 shares of additional common stock at the rate of one share for every eight shares held of record June 2, 1953. The stock is priced at $31.50 per share. Transferable warrants expire at 3:00 p.m. (CDT) on June 17, 1953. Blyth & Co. Inc., heads a group of banking firms which will purchase the unsubscribed shares.

Blyth & Co. Inc. also headed a group offering publicly yesterday 600,000 shares of 4.90% cumulative preferred stock, priced at par ($25 per share). The preferred stock is redeemable at prices ranging from $26.25 per share through May 1, 1958 at $25 per share after May 1, 1978, plus unpaid accrued dividends in all cases.

Proceeds of both issues will be used to finance new construction estimated to cost $118,000,000 for the period 1953-1955. Major item in this construction will be the completion of the new Wabash River electric generating station which will have a total generating capacity of 485,000 kilowatts.

Public Service of Indiana produces and sells electricity to 328,690 customers in 722 cities and towns in north central, central and southern Indiana. The company also supplies electricity at wholesale to 44 municipal utilities, 31 rural electric membership corporations and three other electric utility companies.

Total operating revenues for the company in 1952 exceeded $54,000,000 and net income was $10,009,000.

Cash dividends on the common stock were paid at the rate of 40 cents per share per quarter from June 1, 1949 to March 1, 1950. Since then quarterly dividends of 45 cents per share have been paid.

Wisconsin Central Ry. Equipments Offered

Halsey, Stuart & Co. Inc. headed a syndicate which on May 29 offered $3,090,000 of Wisconsin Central Ry., 4% equipment trust certificates, series D, maturing semi-annually Dec. 1, 1953 to June 1, 1968, inclusive. Subject to court approval and to the authorization of the Interstate Commerce Commission, the certificates were priced to yield from 3% to 4% according to maturity.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost not less than $3,862,500: six Diesel-electric locomotives; 100 all steel general service gondola cars and 350 all steel box cars.

Other members of the offering group are—R. W. Pressprich & Co.; Freeman & Co.; McMaster Hutchinson & Co.; Mullaney, Wells & Co.; and F. S. Yantis & Co.

Newburger, Loeb Adds

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, announce that Sol Kahn, Registered Representative, has joined their organization at the firm's branch office at 57 West 57th Street, New York City.

Continued from page 5

Current Thinking of World's "Progressive" Businessmen

restoration and maintenance of convertibility without a lowering of trade barriers resulting in an expansion of world trade. The creditor nations have a special responsibility in this respect."

For a Supporting Fund

One of such "responsibilities" is establishment of a kind of confidence fund to further the continuance of convertibility, which proposition has commanded important interest in corridor discussion. The prevalent view seems to be directed toward using the International Monetary Fund's existing resources together with a further buttressing of U. S. money to the tune of $5 billion or so (Mr. Ivar Rooth, the International Monetary Fund's head, and Gordon Willenius, his assistant, have been in attendance here.)

It is further recommended—to help balance-of-payments difficulties—that creditor countries to some extent be willing to accept payment in the currency of the other country.

The compromises aired here seem to this observer to emphasize unwittingly the dire need for full confidence in currencies by all parties concerned, as the inexorable prerequisite of continuing genuine and constructive convertibility.

Actually, if a reserve fund is really needed, then no dollars will suffice to stop a "run on the bank." And, on the other hand, if there is confidence, then no fund is needed. As Professor Sir Dennis Robertson (of Cambridge) wisely stated here, after pointing out trade and monetary prerequisites, and the necessity for giving freedom both to capital and current transactions: "That only can safely be made convertible which there is no excessive reason for desiring to convert . . . without confidence, reserves melt away like snow."

Holding the Bag

It is quite significant that on their positions on both tariffs and convertibility, the "progressive" American business leaders here are without home backing. Presumably no additional multi-billion-dollar fund, sure to be viewed as just another subsidy, will get the approval of the United States Congress, and despite the suggestion that it be termed a loan under the Treasury's debt-limit-raising power in lieu of an appropriation, as a practical matter the Congress cannot be circumvented. And on the noble intention to reduce tariffs, there is of course evident overwhelming opposition back home from their fellow businessmen as the mainspring of decisive Congressional opposition to doing anything more than barely holding the present line.

This home scuttling of enlightened representations abroad reminds observers of long memory of President Roosevelt's sabotaging of Secretary Hull and representative Raymond Moley as well as the entire economic Conference itself at London in 1933.

Can Reduced Tariffs Close the Gap?

Should the sharp reduction of tariffs along with procedural reform actually come about (a most unlikely event), would this suffice to close dollar gaps and eliminate the need for U. S. aid? Such questioning of businessmen elicits the conclusion that while tariff reduction would be of some help along these lines, it would not do the entire trick.

For example, Dr. Hans C. Boden, head of Germany's General Electric Co., pointed out to me that because of service-rendering difficulties in his line, his company could still not compete with the big American companies in their home market. And the off-the-Conference-floor opinion of Joseph Steel, director of Imperial Chemical Industry Ltd. and head of Britain's 50-man delegation here, is that even radical tariff lowering would be only partially effective. The high freight charges England-to-U. S. on his company's sodium product shipments and other chemicals, would still prevent transatlantic sales. And he and other countries' representatives feel that distribution and merchandising difficulties would still make effective competition in the American market difficult.

Mr. Steel beleves that tariff reduction would help close the dollar gap through shipments of numerous products such as textiles, heavy chemicals and machine tools in the beginning, but such success would quickly slow down as a result of stepped-up efforts by the American manufacturers to reestablish their competitive position. More important than quantitative tariff reduction, in the view of Sir Jeremy Raisman, Vice-Chairman of Lloyds Bank Ltd., is the elimination of the disturbance to the peace of mind of America's debtors from the "greasy pole" situation of unpredictable *changes* in tariff policy.

More Truth Than Strategy

It is significant that the American low-tariff proponents here continually allay the fears of their fellow-businessmen by stressing that tariff reduction would entail an influx of no more than $2 billion of goods within the next two years. While this may understate the case for strategic reasons, there is enough substance to the estimate to highlight the deficiency of the remedy below the $6 billion-or-so of present dollar shortage.

Likewise on the question of East-West trade and the desirability of expanding trade with the Russians, a subject not on the agenda, did corridor inquiry reveal skepticism on the quantitative *possibilities* of such trade if it be deemed desirable. While general obeisance is unanimously made to the justice of American embargoing of strategic war-related materials, the possibilities in other goods are quite limited. (Interviews with leading businessmen on this question will follow in a subsequent article.)

Typical Russian Behavior

In line with the Russians' typical non-cooperation and unwillingness to do business, is their surprise attendance at this conference. N. Snitkov, Trade Attache of the USSR in Austria, was invited, with the High Commissioners of the other countries here, to the Conference's opening session. With him he brought N. Sergeiev, a member of the Trade Representation in Austria. Thereupon for the following sessions they asked for and secured permission to bring in five "observers." Four of these gentlement, Messrs. Jorinovich, Uwarow, Makorov, and Muroschin, are from the Soviet element of the Allied Commission, permanently located in Moscow. The fifth observer was Sergeiev, wherein hangs a tale.

The writer went to the Soviet Trade Delegation office here to inquire as to the purposes, functioning and classification of the observers, and was given an interview with their Vice-Chairman Balashov, via a young man acting as the needed interpreter. Since the interpreter, one Sergeiev, had told me of his menial job, and that neither Balashov nor he were cognizant of the observers, I was astounded the next day that Sergeiev was not merely an interpreter, but the same as observer Segeiev.

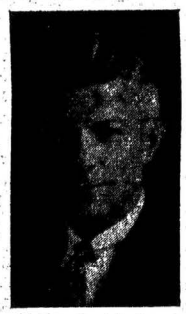
And despite the usual reiterated protestations of Balashov, when I interviewed him, of their desire to do business, Sergeiev told me they had not approached any of the Western representatives for business, were shunning any such suggestion, and should any trade suggestions come through in reverse, they would be interested in nothing else than a petition in writing to the Soviet Government, with a written letter of business proposal, with same "to be sent on to Moscow for approval."

Similarly, the writer, who attended the International Conference in Moscow in 1952, noted Robert Chambeiron, who acted as Secretary-General of that Conference, walking around the halls here, taking in the scene but secretive about his reason for being here and participating not at all.

Thus here again, even in the face of the Peace Offensive, the Russians are going through the outward form of participation, but actually being unwilling to cooperate forthrightly to any degree.

"Skipper" Jos. Masek

"Skipper" Joseph E. Masek, manager of the Trading Department of M. H. Bishop & Co., Minneapolis, is sporting around in his 22-foot Chris-Craft Cruiser out Excelsior Way. Mr. Masek was a Lieutenant in the Navy in World War II and is a very skilled skipper, which helps when he takes you water skiing at 30 miles per hour.



Jos. E. Masek

Proctor, Masters With Barret, Fitch, North

KANSAS CITY, Mo.—Barret, Fitch, North & Co., 1006 Baltimore Avenue, announce that Proctor M. Masters has become associated with them in their sales department. Mr. Masters, for the past 10 years, has been conducting an investment business under the name of the Proctor M. Masters Company. For a number of years prior to the formation of the Proctor M. Masters Company, Mr. Masters was the Kansas City representative of the Mercantile Commerce Bank & Trust Company of St. Louis. Prior to his entry into the securities business, he was an officer of the New England National Bank & Trust Company of Kansas City.

With Hexter Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Julian F. Flagg has joined the staff of Hexter & Co., 6363 Wilshire Boulevard. He was previously with A. W. Morris & Co. and Floyd A. Allen & Co.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Maurice A. Levy has been added to the staff of E. F. Hutton & Company, 623 South Spring Street.

Railroad Securities

Passenger Service Operating Deficits

The most recent issue of "Monthly Comment on Transportation Statistics," put out by the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission, again highlighted the drain on earnings, and the burden placed on freight operations, by passenger and allied services such as mail, express, etc. Preliminary reports for 1952 indicate net railway operating income from freight services at $1,720 million. This was a new peak for the period 1936-1952. As an important offset, passenger services resulted in a net operating deficit of roundly $643 million. While this showed some improvement over the preceding year, when the deficit hit a peak of $681 million, it was still sufficiently large to absorb 37.4% of the net railway operating income derived from the freight services.

These figures are, of course, based on the I.C.C. formula for allocation of expenses between the various services. The deficit does not represent an out-of-pocket cash loss to the carriers. Among analysts and railroad men there is considerable criticism of the formula on the grounds that even if passenger and head-end business were to be abandoned entirely there would not be a cut in expenses equal to the costs now allocated thereto. That is unquestionably true. Nevertheless, it is the best we have to work with and the only available measure of the relative performance of the various services. Also, as pointed out in the Bureau release, the expenses related solely to passenger and allied services in 1952 amounted to 73.5% of total operating expenses allocated under the formula that year, and the remaining 26.5% represented the passenger service proportion of expenses common to both services. These ratios have varied but slightly over the years.

Naturally, as with every phase of railroad operations, the implications of the passenger service losses vary widely among the different railroads. There are some carriers that have little in the way of passenger business to worry about. Others receive a substantial part of their total gross revenue from such services. A passenger operating ratio of, say, 160% may not be as much of a strain on a predominantly freight carrier as a lower ratio of perhaps 125% would be for a road that gets as much as a quarter of its revenues from the passenger services. Incidentally, of the major railroads, New Haven has the largest relative stake in the passenger end of the business. Normally it is able to keep its passenger operating ratio down below 100% and realize a profit thereon. Last year, however, the ratio climbed nominally above the break-even point, to 100.18% This was still well below the ratio for any of the other major Class I carriers and compared with a ratio of 131.6% for the industry as a whole.

Percentagewise, the Pocahontas Region had the poorest record last year, with a ratio of 157.7%. However, passenger services in this area are generally of little moment. Second on the list was the Western District with a ratio of 139.3%, followed by the Southern Region with a ratio of 130.2%. The Eastern District at 124.4% had the best showing. All of the regions or districts showed improvement over a year earlier except for the Pocahontas. On the other hand, the Pocahontas roads had the best freight operating ratio at 64.3% and Eastern roads the poorest, 71%. Western and Southern roads were tied at 64.7% on freight service.

Of the major Class I carriers there were four last year that had more than half of their freight net operating income wiped out by the passenger service losses. The hardest hit was Chicago & North Western where 73.5% of the freight service income was absorbed, followed by Chicago, Milwaukee, St. Paul & Pacific with 55.3%. The other two were in the East—New Haven at 54.1% and New York Central at 50.6%. Pennsylvania, incidentally, had 44.7% of its freight net operating income offset by the loss on its passenger services.

Abraham Strauss With Spring, Stewart Co.

Announcement is made that the firm of Strauss Bros., Inc. has discontinued business.

Abraham Strauss

Abraham Strauss of this firm has become associated with the firm of Spring, Stewart & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, as Manager of their Unlisted Securities Department.

Joins J. A. Hogle Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hermon K. Powell has become associated with J. A. Hogle & Co., 507 West Sixth Street. Mr. Powell was formerly with Conrad, Bruce & Co. of Los Angeles and William R. Staats & Co.

Joins Dean Witter Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert E. Van Deventer has joined the staff of Dean Witter & Co., 632 South Spring Street. He was previously with Marache, Dofflemyre & Co.

Joins Coburn & Middlebk.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard F. Canton has rejoined Coburn & Middlebrook, Incorporated, 75 State Street. He was recently with J. H. Goddard & Co.

Louis J. Gexler has also joined the firm's staff.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market, despite the rally, continues to operate under a cloud of uncertainty because the credit restraining policies of the monetary authorities, irrespective of purchases of Treasury securities by Federal, are still keeping the pressure on the money markets. The higher interest rate pattern is bearing fruit in the form of lower prices for the outstanding marketable obligations. Prospective buyers of Treasury issues, even those that are interested in the shorter-term classification only, are now showing some hesitancy about making commitments in these issues because they seem to feel that higher yields will be forthcoming with the passage of time.

The longer term marketable bonds also continue to display an uncertain tone because there are very few around that are even willing now to make minor scale purchases of these securities. The feeling seems to be very strong that unless there is more of a change than has been displayed so far in the attitude of the monetary authorities, these bonds will continue to make new lows. Although there has been some state funds in the market for the new 3¼% issue, these purchases have not been as large as they were a short time ago.

Confidence at Low Point

The confidence factor in the money market appears to be about as low as it has been in a long, long time. This is attributed to the uncertainty that not only affects the operations of prospective long-term buyers of government obligations but also those that have been making commitments in the short-term securities. It seems as though those that have funds which could be invested in the nearest-term issues have become hesitant about doing even that because there is a growing feeling that, with continued offerings of these securities by the Treasury, there is no need to rush in and buy. The feeling that if one has patience, higher yields will be available in even the nearest-term obligations and therefore why should one put all one's funds into the market under such conditions, seems to have a considerable following.

As long as the money markets are to be under pressure, which means tight money conditions, there will be continuing uncertainty which is not only making liquidity preference of paramount importance, but also is carrying the liquidity idea to the point where many buyers of short-term government issues are even concerned about making purchases of the shortest Treasury obligations.

Recent Operation not Helpful

The attrition in the June refunding did not have exactly a bolstering influence upon the government market, and the $800,000,000 offering of 107-day tax anticipation bills at an average yield of 2.383% right on the heels of the June operation did not help an already uncertain situation. There is no question but what the Treasury will have need for the funds that are being raised and this is the required business of the day, because payments have to be made for past and current commitments. On the other hand, it is believed in some quarters that the methods used in recent and present operations in the money markets could have been a bit less restrictive, to say the least, and still not have lessened the drive on the forces of inflation.

As it is under the prevailing plan of procedure the Treasury is meeting a substantial part of the deficit through the sale of Treasury bills which is certainly not bringing about an extension of maturities. Also the use of the shortest government obligations to raise some of the new funds that are needed to take care of the excess of expenditures over income does add to the money supply and this is not exactly the way in which the forces of inflation are laid to rest.

Investors Confused

One of the items that is getting a bit more attention at this time is the Korean situation, but herein again there is considerable skepticism as to whether or not a truce in hostilities in the Far East would have more than a temporary influence upon the government market. Owners and buyers of Treasury issues are very much on the confused side of affairs and it is going to take something of a very tangible nature in the money markets before there is going to be much of a change in their attitude.

To be sure, if there is to be a permanent betterment in the international situation, starting with developments in Korea, then is should be reflected in the plan of action of the monetary authorities. This might bring about conditions that would be more favorable to the money markets in general, which would be reflected in prices of all Treasury obligations.

Timidity the Keynote

The new lows which have been made in the outstanding marketable government obligations, that is the 2¼s, the 2⅜s and the 2½s mainly, have been the results of a combination of slightly increased activity and the rapid backing away of bidders when bonds have come into the market for sale. There have been a few takers of the long 2½s on the way down, largely the results of scale orders. However, there is at the moment less of a tendency to put in scale orders because some of those that were in well under the market have been filled rather quickly.

Private pension funds seem to have temporarily pulled out of the market as far as the new 3¼s are concerned after doing some rounding out of positions. They have been using funds to make commitments in corporate bonds.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Stefan X. Bagrowski has become connected with First California Company, Incorporated, 625 Broadway. He was formerly with J. A. Hogle & Co. and King Merritt & Co.

With R. E. Evans

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Herbert C. Hudgins has become affiliated with R. E. Evans & Co., 1023 Second Avenue. Mr. Hudgins was previously with Fairman & Co. and Maxwell, Marshall & Co.

Re-Examines Federal Reserve System

New York Clearing House releases a special study analyzing the credit control objectives, powers and techniques of the Federal Reserve System, and lists specific recommendations, among which are: (1) rewording the Employment Act of 1946 to indicate a stable price level is paramount in keeping a healthy economy; (2) limiting Federal Reserve open market operations so as to protect purchasing power of dollar and make a discount policy effective; and (3) placing further restrictions on amount of government securities that may be acquired by Federal Reserve banks.

The New York Clearing House, an association of the major banks of New York City, on June 4 issued a special study of the Federal Reserve System entitled "The Federal Reserve Re-examined." The study of nearly 165 pages examines the credit control objectives, powers and techniques of the Federal Reserve System. It traces development of the central banking system over the past 40 years and presents a variety of suggestions and recommendations for strengthening the Federal Reserve Act and for achieving a better coordination of national credit policy and public debt management.

The study lays emphasis upon the need for safeguarding the dollar and for promoting stable economic progress. Several specific recommendations are designed to accomplish this. For example, the study recommends that: (1) The Employment Act of 1946 should be reworded to indicate clearly that a relatively stable price level is of paramount importance in maintaining a healthy economy and that the aim of "maximum employment, production and purchasing power," is to be achieved within the framework of a relatively stable price level; (2) The guiding principle in open-market operations, set forth in Section 12A(c) of the Federal Reserve Act should be reworded to impose a positive responsibility to direct the System's open-market transactions in such a manner as to protect the purchasing power of the dollar by removing the monetary causes of economic instability and with a view to making discount policy effective; (3) Further steps be taken to limit the amount of government securities that may be acquired by the Federal Reserve banks.

Other important recommendations made by the association of 18 major commercial banks in New York City are:

Section 13b of the Federal Reserve Act, covering direct loans to industrial and commercial businesses, is not needed. If special credit facilities of this kind are to be provided, they should not involve the resources of the Federal Reserve banks.

The Federal Reserve Board should have discretionary standby authority to regulate consumer and real estate credit.

Congress should review the social objectives, statutory powers, and the functions of all government credit agencies with a view to their possible elimination or consolidation. Its aim should be to determine under what conditions their activities are compatible with stable economic progress and to discover the means by which their social and economic objectives can be reconciled with Federal Reserve policy.

Congress should establish a public debt commission with broad terms of reference to undertake an exhaustive investigation of all aspects of the public debt problem.

These and other recommendations and opinions, along with much historical review, are contained in the report, the issuance of which is extraordinary in the 100-year history of the New York Clearing House.

The study contains a detailed analysis of the mechanism of bank credit expansion and contraction. This analysis points out a number of popular misconceptions concerning deposit expansion, particularly the idea that banks can "create" money automatically without cost. The study shows that the process of expansion is not automatic, is extremely erratic over short periods of time and that theoretical expansion ratios based on legal reserve requirements have no predictive value.

The study has been underway since early 1952, when committees were appointed and charged with supervision of the undertaking. Actual development of the study was accomplished by a "task force" of men representing the member banks of the New York Clearing House, and its publication followed approval by the Association. It is the result of the voluntary and collective feeling of the banking community that the bankers of this foremost financial capital should express their views for improving the effectiveness of the great Federal Reserve System after the many years of experience through changing times and conditions since the System's inception in 1913.

The Clearing House study is said to have been taken independently from all supervisory agencies and other bankers' associations. It was felt (1) a definite need existed for a thorough reevaluation of the Reserve Act, substantially unchanged since its passage in 1913, (2) that New York City was a most appropriate locale for such an undertaking, and (3) that the Clearing House was the logical body for same. Its issuance is extraordinary in the 100-year history of the Clearing House, but it may prove to be the first in a series of similar documents.

It is planned to push the recommendations of the study by placing copies in the hands of interested government officials and legislators. Although Dr. W. Randolph Burgess is said to have read the proofs, and made suggestions (prior to his recent Treasury appointment), he is not supposed to have done any of the writing.

Much of the body of the study is descriptive, and resembles a typical college text in money and banking. Illustrative of this is the title of Chapter 3, "The Mechanism of Credit Expansion and Contraction."

The gist of the study may be summarized as follows:

(1) That as national policy, maximum employment and production should be made aims subsidiary to the maintenance of a reasonably stable price level.

(2) That the Federal Reserve Act be amended in such a way as to make mandatory the gearing of open market operations, and discount policies, to the overall objective of a reasonable stable price level.

(3) That further steps be taken to limit the amount of government securities that may be acquired by the Federal Reserve banks.

(4) That geographical differences in reserve requirements should be eliminated.

(5) That the Federal Reserve Board should have discretionary standby authority (not limited to periods of national emergency) to regulate consumer and real estate credit.

(6) That no change be made in the regulation of stock exchange credit.

Wall Streeters in NY Fund Campaign

Herbert S. Hall, partner of Morgan, Stanley & Co., and Chairman of The Greater New York Fund's exchanges group, has announced the names of Division Chairmen within the group.

Herbert S. Hall

The Chairmen who will assist Mr. Hall in soliciting private firms and partnerships in the exchanges field are Norman Sirota of Sirota & Co., Cotton and Commodity Exchange Chairman; Garry Onderdonk of L. A. Mathey & Co., American Stock Exchange Chairman; H. Lawrence Bogart Jr. of Eastman, Dillon & Co., investment bankers Chairman; Philip W. Nash of Nash & Co., Stock Exchange and floor brokers Chairman; Benjamin D. Williams of W. E. Hutton & Co., Stock Exchange Firms Chairman; and Oliver J. Troster of Troster, Singer & Co., unlisted brokers Chairman.

Harry M. Nelson With Nathan C. Fay Co.

PORTLAND, Me. — Harry M. Nelson has become associated with Nathan C. Fay & Co., 208 Middle Street. Mr. Nelson, who is widely known in Maine business and financial circles, has recently retired as Executive Manager of the Savings Banks Association of Maine, a position which he had occupied for 28 years.

Mid-Continent Secs. In Oklahoma City

OKLAHOMA CITY, Okla.—Mid-Continent Securities Co., Inc. has been formed with offices in the Commerce Exchange Building to engage in the securities business. Officers are Merlin A. Collier, President, and Floyd R. Burns, Secretary and Treasurer. Both were previously Vice-Presidents of Honnold & Co., Inc.

1st Manhattan Co. Formed

The First Manhattan Co. has been formed with offices at 100 Front Street, New York City to engage in the securities business.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Floyd M. Packer is now with Mutual Fund Associates, 127 Montgomery Street.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Irwin A. Powell has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 1311 East Las Olas Boulevard.

A. M. Kidder Adds to Staff

LAKELAND, Fla. — Willis S. Johnson has become connected with A. M. Kidder & Co., 131 South Tennessee Avenue.

Ward Opens Office

PENSACOLA, Fla. — Owen M. Ward has opened offices at 814 South Palafox Street to engage in the investment business.

Continued from page 14

Nuclear Energy For Electric Utilities

fuel for the crew—than fuel for the power plant.

In the naval vessel field there is a similar picture—only more so. The weight limitation is nothing like that on an airplane. Fuel consumption can readily impair the military effectiveness of a submarine or aircraft carrier by limiting its cruising radius. Fuel price is secondary to military effectiveness. The potential for the development of a successful nuclear power plant for use aboard ship is really very great. This field, with the removal of the previously cited limitations on weight and bulk for the aircraft application, gives us even a greater opportunity to learn an endless number of valuable lessons which should be usable some day in the utility field. We can expect, with the talent and money presently being devoted by Uncle Sam to the perfection of war service nuclear power plants, to have a fertilization which will help no end in solving our own immediate problems.

But we in the stationary power field cannot sit idly by and expect the other man to develop ideas for us. We must stir our stumps — and keep on stirring them. The procession in technology moves inexorably. Maybe not always forward, but usually. It never stops. And any management that sits back and complacently waits for technology to come to it, is, in my opinion, just about mentally dead. The teams working in industry, like Dow-Detroit; Monsanto-Union; Commonwealth Edison-Public Service; Pacific Gas & Electric-Bechtel, and Pioneer-Foster Wheeler should receive our encouragement and active support. Many other approaches should, I believe, be initiated.

Most people today think of nuclear fission as the device for making power. I ask the question, "How about fusion instead of fission?" That's what goes on in the hydrogen bomb and it gives us a totally different scientific field, where we know one thing which is a big advantage at the outset for power purposes—the temperatures in fusion run many times higher than in fission and no power plant man ever really disliked high temperature sources.

The Legal Problem

Before proceeding any further I should refer to the third big problem which I have identified as the legal problem. We work in this field of atomic energy on sufferance. The law puts the ownership of fissionable fuels in the hands of the Federal Government. The work proceeds with an aura of secrecy. This is, or was, for the purpose of our national security. But it is doubtful if any lasting progress in the scientific world has ever been made over an extended period by any peoples or any industry under the cloak of secrecy. This legal problem is man-made and the answer can be changed, at will, by prevailing on our law makers. I have no intention of pleading this case. Others, better qualified, have done it and are doing it. The AEC announcement of April 8, recommending to Congress changes in the atomic energy law, is most encouraging. I leave this problem with you for decision and action.

In the matter of development of equipment and processes, I suppose I support the crude philosophy that "two heads are better than one." Nobody, no organization, has a monopoly on brains. The problems before us in the development of a nuclear power plant are vast. The more talent we put to work and the more the interchange of ideas the sooner, I believe, the research will pay off. Remember there is about 25 times the energy in the world's resources of uranium as there is in all of our fossil fuels. How much more stake do we need in this energy game?

Many of us can well remember a period not too long ago when there was a moratorium on bank balances. I understand that such a time may come again according to experts in such matters. But I am confident that while there may be another moratorium on bank balances there will never be a moratorium on human thought and progress. If we in the public utility and industrial power fields do not actively pursue this nuclear energy course, other people will do so in our place and stead. And some of us may not like the consequences. I am sure, for example, that some of the public power people—the socialists, as some people like to call them—won't miss this opportunity. Something like atomic energy is growing increasingly necessary in the public power field because hydro power simply cannot fill the needs. I have a recollection that when I was an undergraduate in a very forward, if not radical thinking, institution we devoted long sessions to matters such as Karl Marx and the Communist Manifesto. If my recollection serves me correctly there was developed at that time the thought, I believe ascribed to Nikolai Lenin, which might be paraphrased, "Give me control of the power supply of a nation and I'll control that nation." Whether the reference is correct or whether the thought is properly ascribed, is aside from the point. It is still a good statement and I believe worthy of your consideration. I am confident that those people who are on the other end of the street from this group don't miss the impact of this observation. They know that if water power is inadequate to do the job they can easily turn to nuclear power—and this is perhaps the most exclusive government monopoly in our entire history as a nation.

As soon as a real nuclear power plant is made to function—just to work, without regard to cost or reliability — there will be some advocates of socialist power who will be in a position to say, "There are only two important sources of power—hydro and nuclear. The government controls both. Hence we should control all energy." That would imply annexation of the coal, oil, and gas reserves and the accomplishment of a socialist's dream. You may say that this reasoning of mine is specious but I submit that it would be very *pro forma* in the thinking of many people we like to identify as socialists.

My statement to you is, "What do you intend to do about the matter?" The economics, at this time, are not too bright. The burden of technical development is vast. And the legal picture needs clarification. These things will all improve with thought and particularly with technological research and development. Either we develop a successful, usable, legal, economical nuclear power plant or we, who are proponents of the free enterprise system, will let others take over by default.

That's what the story looks like to this power engineer.

Brown Bros. Harriman Appoints Executive

Herbert Muhlert

The private banking firm of Brown Brothers Harriman & Co., 59 Wall Street, New York City, members of leading national exchanges, announces the appointment of Herbert Muhlert as a manager. Mr. Muhlert, who formerly was an assistant manager, is in charge of the bank's Custody Department.

"Bawl Street Journal" Setting New Record

Distribution of the Bond Club of New York's "Bawl Street Journal," which has been setting new circulation records every year, is becoming more and more like distribution of a bond issue. As the Circulation Committee announced that it was now receiving orders for the comic paper, to be published on June 5 in connection with the Bond Club Field Day, word spread around the Street that there was "strong institutional demand" and that "widespread individual subscriptions" were coming in from coast to coast.

As in previous years, banks, brokerage houses, and other financial firms have been placing advance orders for the paper to send to their customers and friends. Adrian M. Massie, New York Trust Company, is Chairman of the Circulation Committee for this year's "Bawl Street Journal" and orders at $1 a copy are being taken by Circulation Manager Edward S. Peterson at 100 Broadway. Papers ordered in advance will be mailed to arrive June 5, so that the public can enjoy it as soon as Bond Club members.

To Ride Bikes at Bond Club Races

Competition among prominent Wall Street firms will reach new highs when Bond Club members team up for bicycle relay races at the annual Bond Club Outing, scheduled for June 5 at the Sleepy Hollow Country Club in Scarborough.

Bike-riding bond men are expected to surpass themselves in response to the cheers of their team-mates, who will include the prettiest "Miss America" aspirants of bicycle racing. Wearing labels chosen for topical interest, each Bond Club rider will race the length of a marked course, then hand over his bike to a lovely team-mate, who will ride it back to the starting point.

Present plans call for a 3:30 p.m. starting gun, and book will be made on participating teams right up to the mounting signal. J. Raymond Smith, Weeden & Co., Field Day Race Committee Chairman, looks for "odds strongly influenced by team names and the good looks of the contestants."

Spencer Swain Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Harold E. Murch is now with Spencer, Swain & Co., Inc., 10 Post Office Square.

Securities Salesman's Corner

By JOHN DUTTON

Let's Look at Some FACTS!

I am going to make the categorical statement that the best customer that you can ever have in respect to the profit you will make out of an account is that customer who has **Faith** in you. Also, I am going to state that the best job you will ever do for any of your customers will be for that client who turns his business over to you and places himself in your hands. I am also going to state that unless and until you control the majority of your accounts, to the extent that you make the decisions and your customers only O.K. them, both you and your customers are working under a handicap that will curtail and stifle successful results — both for your customer and for you.

Who Knows Best—Your Customer —Or YOU?

Just think this thing through. Who knows and understands the profession of investment more thoroughly — you or your customer? The answer is obvious. How many people who are buying securities are qualified to set up a portfolio, analyze their own needs, make the proper selections of securities, balance out the account between stable and variable assets, watch over the securities after they have bought them? How do you know?

Then of what earthly use is a prospectus except to you who understands these things? Why give it to a client to read? Does your doctor give you the X-ray pictures for analysis?

Why Should Your Customer Make Decisions?

If your customer is not qualified by training or experience to make decisions then why try to convince him that he is qualified? Why send him detailed, statistical reports? Why send him technical material of any kind? Why talk markets, interest rates, outlook for business, etc.? Why clutter up his mind with detail and confusion? Why write letters that have to be O.K.'d by some bureaucrat, so that they will surely conform to some "Statement of Policy" that in itself is unrealistic, and completely devoid of any connection between such realities as I am discussing here? Why put the customer on even a remotely connected basis with your own understanding of investments and securities? You've spent a lifetime of study, experience and preparation in a highly specialized field in order to build up a clientele of investors — **if they know as much as you do about the subject then they don't need you.** Why sell anything at all except **confidence in you?**

Think This Through

If you are going to build a business you must have satisfied customers. That means that you also must make enough profit out of your business to pay you for the work and effort you are expending. You must be right sufficiently often to keep and gain good-will. The best sales argument you can give to a doubting customer, in my opinion, is this plain simple fact. You are not in business for a day — one customer more or less is only important to you from the standpoint of radiation of other customers that you can obtain from recommendations of satisfied clients. **Put it into your own words — sell yourself, and live up to your promises.** Facts, statistics, reports, prospectuses, should be left on your desk—**you** are the one to read and digest them. **Your customer should buy you — and nothing else.**

Add This One Up and See Who Was Right

The other day one of the most successful security men in this country told me this story. He is a member of the I.B.A. and the N.A.S.D. He's made the grade in this business and he knows something about selling. We were talking about this very subject. After almost a year of ground work he started to do some important business with one of the nation's leading industrialists. One day he called this man on the telephone and he began to tell him about the earnings, the balance sheet, and some other data concerning a stock he wanted to sell this man. Suddenly the industrialist interrupted him and said, "Listen, should I buy this stock or not?" He answered, "Of course, I think you should—that's why I called you." The man answered, "Well why in h—— didn't you say so and quit telling me all the rest of that stuff. If it's good for me, tell me so and I'll buy it; if not, tell me that too. I don't want to listen to all that stuff, it doesn't mean anything to me." Was he right? Of course he was. He meant only one thing. **I have faith in you, I give you my business. Treat me right and forget the baloney. I am buying YOU, not statistics.**

That's the way I think we should sell stocks and I don't think we'll ever do a good job of it until we do it that way, all the way, all the time.

Guy Garland Joins Nuveen in Boston

BOSTON, Mass.—Guy Garland has been named manager of the Boston office of John Nuveen & Co., the oldest and largest investment house dealing exclusively in municipal bonds. The office, opened in 1942, is at 31 Milk Street. Mr. Garland has been in the banking and investment field since 1945 and previously was an officer of The Second National Bank of Boston. More recently he was with Harris, Upham & Co.

Joins King Merritt Staff

(Special to The Financial Chronicle)

SHREVEPORT, La.—Robert L. Long is now connected with King Merritt & Co., Inc. of New York.

P. W. Brooks Adds

(Special to The Financial Chronicle)

PORTLAND, Maine—Harold E. Purington is associated with P. W. Brooks & Co., Inc. of New York.

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A Commercial Banker Looks At His Trust Department

administration, such as investments, income tax, accounting.

(d) Availability—not hampered by vacations, sickness or business trips.

There may be a partial answer to the question of competition in the impressions banks give their trust customers, for there is an ancient and still continuing criticism of banks acting in fiduciary capacities—that an excess of caution hobbles them in these activities—that they are so afraid of losses that the beneficiaries are prevented from making any gains. Do not misunderstand me. No sane man would advocate improvidence on the part of a trustee. His primary responsibility is the protection of the *corpus* of the trust, so that no moth nor rust shall corrupt nor thieves break through and steal. At the end of his stewardship, the trustee must pass on to those entitled the property he originally received, with such accruals as may have been added. But the criticism is aimed at the *attitude* of the servant who, having received one talent from his master, went and buried it in the ground and so returned exactly one talent to his master on his coming again. This criticism has, I believe, some validity. There was formerly a feeling that a trustee was supposed to conserve, not to create, wealth, and some trust officers are accused of operating on a basis of having as their sole objective the preservation of the same dollar value. One of the bases for the appointment of individuals instead of banks as fiduciaries, and of individuals along with banks, seems to have been to prevent the investment of the fund in super-safe, low-yield securities. It is argued that banks are bloodless corporations; that they are operated by men, men who like to sleep soundly at night and find it easier to do so, if the property in their care is invested in triple A securities. We must be very careful not to ever give an impression that to avoid a surcharge is the noblest ambition of the trustee. It is only fair to state that there have been many cases where individuals have been guilty of this over-cautious attitude.

To combat what is often referred to as a conservative tendency on the part of trust officers takes affirmative effort and, as you all know, this effort is constantly being made. Trust officers, too, need the sympathetic cooperation of their legal counsel, whose outlook must also be affirmative and not a sterile negative. "How can this constructive and legitimate goal be attained" should, it seems to me, be the aim of our policy. Without relaxing the necessary safeguards, our constant effort should be exerted to the end of enabling our clients to obtain satisfactory objectives. Certainly sometimes we will have to say "No" to them, but we must be sure that in saying "No" we are also being useful, even though in a negative way. It is our *attitude* in always endeavoring to be useful, not our answer in specific instances, that I am talking about. If our clients know we are being ingenious in their behalf, that our aim is to help them, then when we are forced to refuse some request, they will have confidence that our position is justified. The tremendous growth of trust business in banks is a heartening indication that the proponents of the individual trustee are fighting a losing battle.

Trust Department's Biggest Responsibility

Perhaps the biggest single responsibility of the trust department is the investment of the money entrusted to its care. Herein lies not only the risk of losses but also a determining factor in the future growth of the department, for a trust department which has a poor investment record cannot expect to stay in the trust business very long. While all of us resepect to the nth degree the confidential nature of our trusts, the same cannot be said of a disgruntled beneficiary. The news will soon be around that the bank did a poor job. On the other hand, they talk with equal abandon in cases where the trust department has done a good job, and the fund has shown a profit. I have always felt that the greatest advertising the trust department can get—and it is priceless—is the satisfaction of its customers. Nothing is so difficult to offset as poor administration. What must the bank do to guard against it?

Remember it takes the same quality of judgment to handle the investment of one fund that it does of many funds. With this premise as a starting point, it seems to me the bank must take the following steps:

(1) It must staff the investment unit with men who are not just capable, but who are also experts in their field, alert, aggressive, analytical—men who can appraise management—men who will be able to have ideas of future trends and not just men who will look at historical figures of the past, though they are, of course, also very important.

(2) Having set up the proper staff, they should be given the best tools with which to work. This will include not only recognized statistical services, the credit information available in the banking department, but also the right —no, the duty—to visit the plants and talk with management of the companies whose securities are held in the trust accounts.

Given this organizational setup, it behooves the bank to make the most of it. As I mentioned before, banks sometimes are criticized for their investment policies. Years ago, trust funds, by and large, were limited to legals. Legals meant railroad, utility and industrial bonds, and also mortgages. Yields were high—5% or 6%. Understandably, income beneficiaries were reasonably satisfied with that income. Then came a long period of declining interest rates. The value of the fund remained constant or even increased in many cases, but the income was cut just about in half. This called for much more initiative and, as mentioned above, a change of attitude on the part of trust officers. To get any yield comparable to that previously obtained required the purchase of common stocks. In legal trusts, of course, this ran head-on into a law which forbade it. Perhaps one of the greatest achievements of the Trust Division of the New York State Bankers Association was obtaining the amendment to the law which, in effect, redefined a legal investment and now permits the prudent man rule up to 35% of the fund. We saw here a legislative recognition of the need for a less restricted point of view—a legislative challenge to banks as trustee to produce a better income for the beneficiaries—a challenge which the banks were only too glad to accept. By the same token, this acceptance carries with it certain risks and it is because of this that I, as a commercial banker, feel so strongly that the investment organization of our trust departments must be of the quality to meet that test. This means a well rounded staff, and this is increasingly expensive. It means choosing directors for our banks who will be useful on directors' trust committees, and it means using these directors and other sources to get for our clients well-rounded, mature, and seasoned judgments. It is because of this great care that I think our clients get the best bargain we offer in our whole bank.

How Banking Officers Can Help Trust Department

The third thing the commercial banker should reflect on is how the senior banking officers can help the trust department. There are, it seems to me, four fields where executive management should exercise a supervisory function, subject, of course, to advice from the officers of the department.

The first job is proper organization. This includes seeing that the departmental setup gives the necessary authority to, and exacts the proper responsibility of, the trust officials; that such authority flows properly to the various subordinate officials and employees; that proper safeguards are established for the safe administration of the various trusts and agencies. An important aspect of this phase of operations is to assure the coordination of the banking and trust departments in exchanging information, cooperating in following leads to new business, and generally acting as a unit and not as two or more separate entities.

Another place where top management should actively participate is in the determination of objectives for the trust department. I mean by this deciding what kinds of trust business to solicit or to accept; whether the department should be considered an adjunct to or service department of the bank, or be encouraged to expand with the aim of making a real contribution to net income. It is obvious, also, that the bank situated in a small town will have different plans for its trust department than the bank in a metropolitan center. There would ordinarily be no need of a corporate trust or perhaps a pension trust department in smaller communities. In decisions as to objectives, coordination with other departments, etc., top management should work closely with department officials for the good of all.

Proper Staffing of Trust Department

The proper staffing of trust departments is a field in which top management can be very helpful to the trust officers. Much of the work of the trust department is technical in nature and requires knowledge that can only be obtained through doing. Continuity of employment is particularly important here. Not all technicians can become officers and some become unhappy over their future outlook. Sympathy with this situation is required so that these staff members may receive proper recognition and compensation for the necessary and valuable work that they do.

Top management has a real responsibility in making sure that the trust department, or, for that matter, any other major department of the bank, is not considered a blind alley so far as constant opportunity for advancement is concerned. Many young men, at least those who seem to have unlimited potentialities, enter the banking field in a flush of enthusiasm and with the ambition to go straight to the top in the shortest possible time. Some of them look around and in some banks might say the president is always picked from the banking department. Then he avoids trust work, goes into the credit department and on up in the commercial end of the bank. I want to call your attention to the fact that this is not always the case, and sometimes never the case in certain banks. There are banks that always have a trust-trained man at the head. In our own bank, four of our most valuable senior commercial banking officers have more trust training than banking training, and one of our top fiduciary officers is a product of our banking division. I bring this to your attention to urge more interchange between banking and trust department officials. There is every reason why officers should be considered for interchange between divisions. One of our directors emphasized this to me once and said how regularly his organization moved men from production to sales to financial to personnel work, etc. An alert officer picks up more than just what his own environment offers. In our bank we have officers from all divisions rotate on such committees as management of personnel, advertising, etc. Our senior policy making cabinet includes the heads of all important divisions. We want and need to dispel the idea that there are, in any division, road blocks to unlimited advancement. I do not know of a greater field for accomplishment and individual credit in most banks than is available to the senior trust officers. They have problems, such as the one of adequate earnings. A brilliant solution of those problems would be more conspicuous and receive more credit than almost any assignment I can think of. The capable handling of trust work alone is what led to the selection for the presidency of one of our largest and best managed New York banks. I am not one those who think that ambitious and the most potentially strong young men should bypass the trust department There is need for strong men at the top in the important management of these huge trust funds and responsibilities. I also think the ladder up provides work of the most absorbing, stimulating, and constructive nature. Here again the matter of attitude plays a part. Top management must work closely with department officers in helping to provide opportunities for advancement and reward for work well done. Trust department promotions, like banking department promotions, cannot be permitted to cling too much to seniority.

A fourth field, and a vital one, where top management may aid the trust department is in getting new business. The chairman and the president and the top vice-presidents are the ones who know the senior officers of corporations, the senior partners of law firms, the large stockholders—in a word, the men who are in a position to direct where business shall go. Sometimes by direct effort, but usually more effectively with officers of the trust department, top bank officials may attempt to obtain trust appointments. Too much individual effort by the top brass is not feasible, but once in a while it takes only a word from them to determine the result. Ideally, the trust officials themselves should be encouraged to meet and know the men from whom new business develops.

To be of the most help, top management must be kept closely informed of the plans, activities, and current problems of the trust officers. A device that can be used in enabling top management to function effectively is to schedule regular periodic meetings with the managing officers of the trust departments. An agenda should be prepared beforehand by the trust men and given to the chairman and president in order to give them a chance to consider the problems ahead of time. Then, at the meetings the problems should be clarified by the trust official concerned and possible answers should be considered. The size of the meetings and how often they are held will be governed by the requirements of each bank, but such a consultation and discussion at stated intervals is a technique of great merit.

We now come to the last but not the least important of the items I have suggested for constant review by the commercial bankers, namely, "What contribution should we expect from the trust department toward the bank's earnings?" My answer to that is unqualifiedly a *better* contribution, and I think it is in the wood to increase it. Historically, at least in the banks in metropolitan centers, the corporate trust divisions have produced a fair net income, whereas the personal trust divisions have had a hard time bringing any respectable figure down into net. In reviewing this matter of earnings, I like to divide it into its two components—income and expenses.

Compensation for Trust Services Is Low

When you stop to think of it, the compensation received for banking services for the past ten years has not kept pace with rising costs and prices in general. This applies with equal force to the fees charged for trust services, as well as to interest rates. The men in the Trust Division of the New York State Bankers Association, spearheaded by George Barclay, Vice-President of City Bank Farmers Trust Co., New York, and Bernie Gray, President of Northern New York Trust Co., Watertown, have spent many hours in their efforts to raise the statutory fees for trustees, and have been singularly successful. However, as you all know, the last increases which were obtained in 1946 were not as much as we had hoped for and certainly did not equal the increased cost for handling those accounts. Consequently, these same men and this organization are presently working toward the submission to the Legislature next year of a proposal to raise these fees again. We should all be heartily in accord with their objectives and commend them for their efforts. I have no doubt that they will be successful if we unanimously give them our support.

There is another side to this picture, however, i.e. the efforts that the banks can make themselves to increase their fees and their net income. Certainly all of those banks that have corporate trust departments have within their control situations where the fees are wholly negotiated — in other words, they are not fixed by any statute but are arrived at by an agreement with the customer company. These fees would cover services as trustee under corporate indentures, as transfer agent, registrar, and paying agent. Wherever these fees are below a point where they produce a fair profit to the bank, it is the duty of the senior officers of the bank to see that the trust department makes every effort to raise them. I might tell you that we undertook this sometime ago and found little resistance on the part of our customers to the increases. In negotiating these increases, we are dealing with financial men and we should have all our facts before we present our case. In other words, if we make a statement that we are losing money in a certain account, we should be able to prove with reasonable accuracy that we *are* losing money. Our cost analysis must be complete and accurate to be convincing. Certainly many companies with which we are dealing have increased the prices of their products many times during the period when our rates remained unchanged. The same approach can be made with respect to certain personal trust accounts, i.e. agency

accounts and revocable living trusts. These are in essence contracts with our principals and because of their revocable nature, they are open to amendment from time to time. Consequently, here again, with the proper proof in front of us, we should not hesitate to go to our principal and lay the facts before him. He knows that every article he buys today costs more money than it did years ago and he cannot expect to continue to get the quality of service which we have been giving him, unless his account is handled at a fair profit.

It seems to me that we substantially strengthen our case in the Legislature for increased statutory fees by every effort we make to adjust to proper levels those fees which are under our own control.

Expenses of Trust Services

Certainly when we discuss fees, we also think of expenses. It always seems to me that the proper approach to the subject of earnings is not necessarily to increase the charges for the product, but first to make sure that every effort has been made to reduce expenses, i.e., costs. All of us are fully conscious of this problem. It is so difficult to solve and of such importance that it should receive constant attention. Experience teaches us all that salaries and fringe benefits represent a substantial part of the total costs of handling trust business. Banks, to be competitive in the personnel field, have had to keep pace with the rising trend in salaries and this item of expense has taken a big bite out of our trust department earnings. Not one of us ever wishes to embark on a program of reducing salaries, so we must continually search for other ways of accomplishing our objectives. One of these is through mechanization. My observations are that corporate trust work lends itself to mechanization to a far greater degree than personal trust accounts, but I am not convinced that we need to accept that as a fact and therefore assume that we have reached the limit of mechanization in the Personal Trust Department. As a matter of fact, I think we have not even scratched the surface in developing mechanical operations that will lower our unit costs. To take the easiest one first, i.e., corporate trust activities, I think that with very few exceptions banks have only made a start in the right direction. Certainly all of you have installed many machines. I know that our Corporate Trust Department seems to bristle with them, but there are a lot of new ones and the improvements that have been made in the last few years are astounding. These not only increase the speed with which items can be handled, but also handle operations that a short while ago everyone felt could not be done by machine. We are looking at a new machine now which we will probably install, since preliminary studies indicate it will increase our efficiency for this operation by about one-third. These studies also indicate that it is possible to accomplish equally startling results in other phases of corporate trust activity. Certainly such a program would warrant the closest attention of top management. We must be aware that it will require a fairly substantial capital outlay to make mechanization truly effective, but an estimate of savings should allow for amortization of the capital outlay over a period of years. It requires study of volume and savings to judge whether such outlay is a sound investment.

The more difficult problem admittedly is presented in the Personal Trust Department; nevertheless, here, too, we feel that attention must be given to find a way of mechanizing more and more operations. Surely some of the administrative tasks must still be done on a head and hand basis, but there are hundreds of thousands of operational details in a year, which eventually will lend themselves to mechanization. One hears the argument that personal trust, by its very name and nature, is a personal relationship and it is dangerous to talk about machining its operations. What I am thinking about does not contemplate interfering with that personal relationship in any way, but rather streamlining and simplifying the internal operations of the department. A very important step was taken in the direction of simplification when the common trust fund idea was developed. While this law was enacted some years ago, before the Trust Division of the New York State Bankers Association was in existence, nevertheless, we all know that some yeomen's work was done by this Trust Division in getting through legislative amendments which permitted the expansion of the operation of this type of fund, and provided further benefits to the banks which have set up such funds. One of the primary purposes of the common trust fund was to reduce the cost of administering small trusts. This was not so much a mechanization process as what might be called standardization. Not one of us should let up in our drive for standardizing our procedures, whatever they may be, for here, too, lies a possible way to effect real savings in time and money.

I have dealt at some length on ways to bring your income and expenses into line for I am a firm believer that trust departments, like all other income producing departments in the bank, should make a proper contribution toward the net earnings of the bank. As I mentioned before, corporate trust activity usually produces a profit, and the margin is such that it warrants substantial effort on the part of the trust department officers to increase the business on their books. As to personal trusts, our comptroller's office says that the margin of profit is too small (and even our trust officers are inclined to agree). Nevertheless, I feel that the senior officers of the bank and the officers in charge of the trust department should never forget that the ultimate aim of any business activity is to achieve a reasonable profit and trust business, in spite of the difficulties, is no exception.

How many of us, even the trust officers present, realize how many billions of dollars are handled in a fiduciary capacity by trust companies and individual trustees? The responsibility of intelligently handling these vast sums is a challenge of the highest order. There is unquestionably a permanent need for these fiduciary services. The major participation of the commercial banks in this field is a service of which they can be and are proud. Trust officers, investment officers, and trainees who are analyzing opportunities for useful service and for advancement can certainly find it in the trust departments of nearly all the banks that I know. The challenge is there, the need is there, and those who seize the opportunity to help meet the existing problem, especially that of more adequate earnings, are in a conspicuous spot for advancement and top management recognition.

Now Proprietorship

PHOENIX, Ariz. — Willard J. Hacht is now sole proprietor of Guardian Trust Company, Security Building.

Joins Roman and Johnson

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla. — George E. Hudson is now associated with Roman & Johnson, 235 Southeast Fifth Avenue. Mr. Hudson was previously with Francis I. du Pont & Co. and A. M. Kidder & Co.

Robert A. Lovett Joins Royal-Liverpool Boards

Robert A. Lovett, partner of Brown Brothers Harriman & Co., and until recently Secretary of Defense, has been reappointed to the boards of directors of the 11 companies forming the Royal-Liverpool Insurance Group, New York, one of the country's largest fire, casualty and marine insurance organizations. Mr. Lovett has also been reappointed to the finance committees of the Group. He had previously served in these capacities from September, 1946 to May, 1947, when he became Under Secretary of State, and from May, 1949 to September, 1950, when he was appointed Deputy Secretary of Defense.

Robert A. Lovett

Chicago Analysts Get Slate for Officers

CHICAGO, Ill. — The Nominating Committee of the Investment Analysts Society of Chicago have presented the following slate for 1953-1954:

President, Philip C. Biggert, Scudder Fund Distributors; Vice-President, William G. Maas; Treasurer, George L. Emrich, Jr., Brown Brothers Harriman & Co.; Secretary, Richard C. Barbour; Board of Governors (three-year term, expiring 1956), Park Hall, Russell Eddy, Brown Brothers Harriman & Co.; Hartman L. Butler, and for a two-year term, expiring 1955, Robert Pelton, F. S. Moseley & Co.

Members of the Nominating Committee were Glenn M. Trumbo, Corliss D. Anderson, William D. Heer, Jr., Arthur O'Hara, and John H. Weedon.

Laidlaw 25-Year Club Hold Dinner

Thirty-three members of the Twenty-five Year Club of Laidlaw & Co., 25 Broad Street, New York City, were honored at a dinner given at historic Fraunces Tavern May 22. Wrist watches were presented, engraved to show length of service which ranged up to 49 years. Including branch office personnel, the club has 50 members, of which five are women.

Neary, Purcell Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John F. Anderson, Jr. is now with Neary, Purcell & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange.

Now With Walston

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Frank O. Mastick has become affiliated with Walston & Co., 550 South Spring Street.

H. R. Bracken II With Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Henry R. Bracken II has become affiliated with Thomson & McKinnon, 927 Lincoln Road. Mr. Bracken was formerly with Westheimer & Co. in Columbus, Ohio and prior thereto was with Merrill Lynch, Pierce, Fenner & Beane.

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Government Bond Market and Problems of Treasury Financing

2⅝% coupon on the new certificates, as after taxes, the yield thereon is 1.26%. Similarly, the 2⅜s of June 15, 1958, with five years to go, yield, after such taxes, 1.42%, and to compare favorably, a new five-year issue would have to carry 3%. It is readily seen, therefore, how market conditions complicate the Treasury's program. It might be logical, sometime in the not too distant future, for the Treasury to give consideration to offering new issues at a discount, a procedure which would in no degree be significant of any weakening of government credit, and which might have a definite appeal. Let us remember that the world did not come to an end when governments were permitted to break par, and the issuance of discount obligations, while a novel departure from traditional financing, nevertheless, would be a perfectly sound procedure.

Portfolio Problems of Banks

Now let us consider our own individual problems. By reason of the passage of time and past Treasury policy of offering few bank issues with a maturity much, if any, over a year, the majority of banks find their Government portfolio extremely short, and we are constantly being asked "Shall I extend?" I wish I could answer that question with no possibility of being wrong, but even if I could, the same answer would not necessarily apply to all banks. The majority of banks have extremely short portfolios but, unfortunately, that is not true in all cases. If a bank has a substantial portion of longer term issues in which it has considerable depreciation, I would be reluctant to suggest assuming further hazard by taking on more. Likewise, if a bank has a large loan volume, indicating a substantial portion of risk assets, it seems imprudent to assume further risk by extending maturities, and in many instances, to pay a large percentage of the increased earnings in taxes. In this connection, one may also not be in accord with the policy of supervisory authorities in classifying all government securities, regardless of maturity, as non-risk assets. Non-risk at maturity, yes, but if any banker were so unfortunate as to buy bank-eligible 2½s of Sept. 15, 1972/67 back in 1946 at 109 and saw them selling today under 92, could you convince him he had a non-risk asset? True, he may be able to carry them to maturity, but when a bank with demand deposits buys a 15- or 20-year bond, can they know definitely that it can be carried to maturity. Getting back to maturity extension, there is something to be said for the policy of extending maturities moderately when loan volume is declining and you have reason to expect a continuance of the decline. In other words, a decline in loans means a decline in risk assets and earnings, and I think, therefore, that under such circumstances, there is some justification for assuming further market risk in order to replace, in some measure at least, lost earnings. And the reverse is true. When loans are steadily mounting and the sale of governments is necessitated in order to maintain reserves, assuming that it is not purely a temporary situation, then the degree of market risk should be lessened by selling long maturities, rather than short.

The Government Bond Market Picture

Let us look at the market picture as a whole. The price level of government securities will be determined almost wholly by prevailing interest rates, and they, in turn, will be determined by the supply and demand for credit, and by Treasury and Federal Reserve policy. While the present boom continues, it is reasonable to expect a continuing restrictive policy by the Federal Reserve System, although this does not preclude an easing of the situation over tough spots, but such easing, which might well be accomplished largely by open market operations and re-purchase agreements, should not, in my judgment, be interpreted as any reversal of fundamental policy. The Chairman of the Federal Reserve Board recently made it very plain that when inflationary measures no longer threaten economic stability, monetary policies will be eased. When that may be, no one can state with any degree of assurance, but a good case, I believe, could be made for a possible slowing up of the boom as we near the end of the calendar year. Should that prove to be the case, we might logically expect there would be some levelling off of the demand for credit. Until that becomes clearer, however, and in view of the large cash needs of the Treasury, there seems little justification for anticipating much change in interest rates in the immediate future.

Consequently, maturity extension is not a matter of pressing need, although I might add that when it becomes crystal clear to you and to me that the peak of rates has been reached and that a reversal is in the making, it probably will be equally clear to everyone else, and a concerted program of maturity extension on the part of banks would be impossible to accomplish, as under such conditions, the supply of bonds available in the market at the prices then prevailing would probably be inadequate to meet the demand. I would suggest, therefore, a careful and constant appraisal of the general business and credit situation, for although it may not be today, nor tomorrow, and possibly not in the immediate future, we may well be approaching the time when a program of moderate maturity extension, with the objective of freezing present rates for a longer period of time, and establishing a well balanced maturity schedule designed to provide the maximum degree of earnings compatible with the minimum risk, might prove worthy of consideration.

John E. Graham Joins G. H. Walker & Co.

John E. Graham

HARTFORD, Conn. — John E. Graham has become associated with G. H. Walker & Co., 111 Pearl Street, as manager of the trading department. Mr. Graham was formerly with Brainard-Judd & Company for 16 years.

Continued from first page

As We See It

many directions, must at least for the first half of its term of office remain a large spender.

It would appear that President Eisenhower will have his way in the matter of the tax laws, but very substantial deficits are in prospect nonetheless. Previous over-estimates of tax receipts are now being exposed by the course of events. Very substantial sums of "new money" must, accordingly, be found in the months ahead. In brief, the Treasury obviously must seek larger funds in a market which is not as hearty as it has been and promises to be less vigorous as time passes.

New Money Needs

All this is apart from, although related to, the Administration's announced intention of getting more of its debt into long-term form and into the hands of nonbanking investors. It is one thing to load the banks down with obligations which they pay for by writing up the deposits on their books; it may be quite another to tap funds already in existence and owned by individuals and others not in a position to increase their funds more or less at will. In one case the total available volume of funds is fixed largely by the holdings already existing; in the other it is determined by the reserves of the banking system—which in the final analysis could be made to be the practical equivalent of the gold held buried at Fort Knox. The difference in the effect upon the welfare of the nation of one or the other of these two modes of financing the Treasury can hardly be exaggerated.

We most earnestly hope that the Treasury will stick to its guns, and obtain what funds it must have without the aid of the Reserve System and without resort to John Law type of financing. Only in this way can we hope to make a real beginning in the long and tedious journey back to financial sanity in this country.

Such a course on the part of the Treasury would (will) be attended by less technical difficulty than might have been the case at times in the past. Time was when it was commonly said that such a policy would wreck the banking system—and do the Lord knows what else to many other segments or sections of the business community. We never were able to concur in many of these alarmist allegations. Such foundations as they may have had in the past have now largely vanished. In particular, any hazard to the banking system by reason of its holdings of government obligations at high prices no longer is a problem of first importance.

For years past long-term government obligations—specially those eligible for bank holding—have become progressively of less importance relative to the total of outstanding issues. In particular, very few issues of the longer term variety have been offered during these later years. This means, among other things, that the holdings of the banks are of necessity of shorter term. Reference to the course of market prices reveals the fact that such long-term bonds as may be held were either acquired for the most part a number of years ago or else were purchased at prices well below the peaks.

Now Well Amortized

Now if these bonds were purchased at excessively higher prices some years ago they should have by now been brought down through required amortization to something not very far above par. No bank is or has been required to carry governments on its books at less than par, and the only amortization requirement now in effect relates to par, not to the market. Only if these bonds must be sold when they are below par would any important difficulty arise—and then only if the amounts were of real consequence. About the same may be said of the holdings of other types of financial institutions. It would appear, accordingly, that the old bugaboo about wrecking the financial institutions of the country can well and safely be put on the shelf.

But, of course, it must not be supposed that a market which requires the Treasury to pay more for its money, would continue to provide cash for other borrowers at the same old charge. The fact that the Treasury appears to be facing higher interest costs means, of course, that others must likewise pay more for the funds they borrow. On the assumption that the Federal Reserve refuses to feed funds of its own creation into the market in the future, the business community throughout must reconcile itself to the idea that higher rates will obtain throughout the money market. We must face whatever consequences may be expected to flow from this fact.

Rates Not High

But need these consequences be great or burdensome? Let him who is inclined to worry about this aspect of the matter consult the record of the past half century—or longer if he prefers. He will soon discover that in historical perspective there is not a rate in the money market now that is not rather extraordinarily low. We should certainly hope that the prosperity of which we now boast is not dependent upon heavy subsidy from the man who has saved some money and makes it available to business.

Continued from page 11

Is America Going Bankrupt?

ing decades her greatest economic expansion.

The United States national debt in 1952 ($265 billion) was substantially less than the 1952 national income of $290 billion.

The real solution to the national debt problem will be found in the growth of the national income. If the debt remains at approximately its present amount, it will become smaller, relative to the national income, as the latter rises. The prospective growth of our national income will be described presently.

Taxation and Economic Progress

Will taxation stop economic progress? At the present time taxation is uncomfortably high. In 1952 the Federal Government collected $68.5 billion in taxes, which was nearly twice as much as the entire national income in 1933. Although accurate estimates are not yet available, it may be supposed that the total of state and local taxation in 1952 was somewhere in the neighborhood of $20 billion. The national income in 1952 was $290 billion and the combined tax take of Federal, state, and local governments amounted to more than 30% of the national income.

If we ask, "Is this high level of taxation a bad thing economically?" the answer is clearly in the affirmative. If we ask, "Are people unhappy about their tax bills?" the answer is also in the affirmative. If, however, we ask, "Is this high level of taxation noticeably affecting the American production effort?" the answer, surprisingly enough, must be NO! I say "surprisingly" beause many an economic analyst would join Colin Clark, the distinguished Australian economist and statistician, in asserting that 25% is the limit to which taxation can go in a non-totalitarian state in time of peace without injuring production. We are not, to be sure, in a time of real peace. Nevertheless, the vitality displayed by American business in the face of this load of taxation is amazing. It bears striking testimony to the strength of the American economic system—the private enterprise system — and also to the vigor of the men who run American business. These are men like yourselves, bankers and businessmen all over the nation. Indeed, if I had the ear of the men in the Kremlin, I would say "I understand that you have been expecting the armament effort of the United States to bankrupt our country. You are mistaken. The American people can, if necessary, carry into the indefinite future the present defense program and the load of taxation which is required to finance it without inflation. The American people, to be sure, would prefer to see a peaceful world with genuine disarmament. If, however, Russian policies force the United States to continue to out-build the Soviet Union in arms, the American economy will be stronger, not weaker, as the years go by."

Is Inflation a Danger?

What of the prospect of inflation? There are two completely different questions in the analysis of inflation, each of which is worth many more minutes of discussion than time permits to me today. The first question is, "Will inflation occur?" and the second is, "What harm does inflation do when it does occur?" If I may be permitted to deal with these subjects in a rather summary fashion, I shall say that no big inflation is in prospect for the United States unless we should become involved in an all-out war. The history of prices in the United States since the founding of the republic shows that typically the commodity price level (but not the wage level) has usually declined slowly in peace time and has risen rapidly during major wars. If this tendency is repeated and if policies, both public and private, are directed toward stabilization of prices, we may expect, barring war, a steady price level in future years.

What harm does inflation do? Inflation harms those having fixed dollar incomes. It also harms those whose incomes rise more slowly than the average. Inflation is not good, but on the other hand, it is not the destroying terror which it is often pictured to be.

Does Depression Threaten Us?

Will there be another great depression, or is prosperity permanent? The answer to this double-barreled question is No to each part. The present state of understanding of business cycles, implemented by appropriate policies on the part of the government, business, and labor, make it possible to say that anti-depression weapons now exist that will prevent the occurrence of any depression even resembling that of the 1930's in depth and duration. On the other hand, these anti-depression weapons do not yet seem to be sufficiently delicate and precise in their operation to be able to ward off minor recessions. The conclusion, therefore, is that we can expect occasional recessions in future years, but we shall never again have a great depression like that of the '30s.

The Threat of War

The foregoing analysis suggests that the purely domestic problems of our economy can be solved, and do not threaten our progress. An all-out war, however, might have destructive effects on a gigantic scale. I do not know whether there will be such a war. It depends largely on what the Kremlin does. We all hope for a real peace. In any event, the entire analysis of this paper is posited on the assumption that there will be no disastrous war.

Progress Ahead

Assuming, then, that there will be no all-out war, what progress can reasonably be expected for the American economy in the years ahead?

A few years back there were some analysts who were asserting that ours had become a **mature economy.** Now if by "mature" they meant that we were no longer a primitive society, that we were in some sense or other grown-up, they would have been right. But that is not what they meant. What they really meant was that we were approaching senility, that our country was about to stop growing, that things were going to level out and perhaps start on the downgrade. It was a natural enough mistake, and flowed from confusing the worst depression in our history—that of the 1930's—with a reversal of the long-time growth trends of the United States. Those analysts were wrong, and subsequent events have proved that they were wrong.

Let's take a look ahead then at the future growth of our country.

Population Growth

The rapid growth of the population, caused by a large increase in the number of births, has confounded many population forecasts that were made a few years back. These forecasts suggested a gradually slower increase in the population, to a peak of perhaps 160,000,000 in the 1960's to be followed by a decrease. The few forecasts that disagree with this view and projected large and continuing increases were criticized.

Actually, births rose from 2,307,000 in 1933 (the smallest number since satisfactory records began in 1910), to 3,881,000 in 1952. The birth rate, per thousand of the population, increased from 18.4 in 1933 (probably the lowest in the nation's history) to 24.9 in 1952. The factors responsible for the reversal of earlier trends seem to be: (1) a shift of parental sentiment in favor of having somewhat more children; and (2) higher incomes.

If this attitude continues, and if the country is prosperous, population growth will continue to be substantial. As a basis for estimates, we may use the figures for recent decades. From 1920 to 1930, the population rose from 106.5 million to 123.1 million (15.6%); from 1930 to 1940 it increased to 132.0 million (a gain of 7.2%); and by 1950 it had jumped to 151.7 (an increase of 14.9%). The following table presents two projections of future population growth—one assuming a decennial increase of 12% (A), the other, 15% (B).

Population Projections

(In millions)

Year—		(A) Decennial Increase 12%	(B) Decennial Increase 15%
1900	Actual	76.1	76.1
1950	Actual	151.7	151.7
1960	Projected	170.0	174.0
1970	Projected	190.0	200.0
1980	Projected	213.0	230.0
1990	Projected	239.0	264.0
2000	Projected	268.0	304.0

Geographic Shifts in Population

The increase in population will not be uniform all over the country. Migration among the states will continue to be an important factor. The increases experienced between 1940 and 1950 provide a significant clue to probable future trends. The following table shows the states that grew fastest.

States Experiencing the Greatest Percentage Increase in Population, 1940 to 1950

State—	Increase
1. California	53.3%
2. Arizona	50.1
3. Florida	46.1
4. Nevada	45.2
5. Oregon	39.6
6. Washington	37.0
7. Maryland	28.6
8. New Mexico	28.1
9. Utah	25.2
10. Virginia	23.9
11. Michigan	21.2
12. Texas	20.2

Two of the states—Maryland and Virginia—experienced much of their growth in the vicinity of Washington, D. C., as the Federal Government expanded. The continuation of this trend is uncertain. A third—Florida—grew for familiar reasons. In the fourth—Michigan—a high rate of industrial

development stimulated growth in the metropolitan areas. The other eight states form a geographical unit—a great, wide arc extending from the Pacific Northwest down the Coast and through the Mountain West and the Southwest. Climate, scenery, and industrial development help to explain this upsurge; and they will continue to stimulate the growth of that region in the future.

California's Population Growth

For many decades, California's population has grown faster percentagewise, than the population of the entire United States. The 1950 U. S. population was nearly 100% greater than the 1900 figure. The 1950 California population was 600% larger than in 1900. The California percentage increase was six times that of the nation. If these patterns continue in the future, California's population at the end of the 20th Century will be 70 million.

If, however, the California percentage increase should be only three times as large as the national average in the rest of the century, the California population in the year 2000 would be 40 million. It would not be surprising if the 1970 census would show California to be the most populous state, with a population of 21 million, as against 20 million for New York State.

California Bank Deposits

(1) Since national policy probably will require an increase in the nation's money supply as great as the increase in national productivity and national real income; and

(2) Since per capita productivity and per capita real income will rise about 50% between 1950 and 1970; and

(3) Since the real income of the people of California may be expected to be about three times as large in 1970 as in 1950; and

(4) Since most money is held in the form of bank deposits;

Therefore, the total deposits of California banks may be expected to be about three times as great in 1970 as in 1950.

The Growth of Incomes

It might be supposed that a substantial population growth would have the "Malthusian" effect of reducing our living standards. Not so, however. Our living standards will continue to rise, concurrently with a population increase, as the two have risen simultaneously in the past.

Average per capita real incomes may be expected to rise, as output per manhour increases. How rapidly will this output increase? It has increased at about 2% per year in recent decades. In view of the huge amounts now being spent on research, a future annual gain at the same rate—2%—is conservative. Since the work week will also be reduced gradually, and since winter vacations (in addition to summer ones) will slowly become standard practice, the decennial increase in annual output per worker may be taken to be slightly less than 2% compounded annually for ten years, or about 20%. Average per capita real incomes would then rise 20% per decade, provided that the work force remains about the same as a percentage of the total population.

The following table brings together the population projections and the per capita income estimates, and presents two projections for the national income—based on the two population projections. If the decennial rate of increase in output per manhour should turn out to be greater than 20% (as it easily may), the figures for per capita income and national income would have to be raised correspondingly.

Income Projections
(in 1950 dollars)

Year—	Per Capita Income	Natl. Income (in Billions) (A)	(B)
1900 Actual	$630	$48	$48
1950 Actual	1,575	239	239
1960 Projected	1,890	321	330
1970 Projected	2,268	431	454
1980 Projected	2,722	580	626
1990 Projected	3,266	781	860
2000 Projected	3,919	1,050	1,191

The Secrets of Progress

What is the explanation of this projected growth, this rise in real income so that the average American family will have a real income in another 50 years 2½ times as great as it has at the present time? It is a combination of factors—a continuing efficacy in our training of our labor force, increased skill in management, a very considerable increase in the quantity of capital goods employed in the production of other goods and services, and, perhaps most significant of all, a tremendous technological development.

We are going into a period of the fastest technological development which has ever been known in the world. Future historians may indeed label the period into which we are now moving as the Atomic Age.

It is because our production is going to be increased that our consumption is going to be enlarged correspondingly. Increased output takes many forms. Even the cows and chickens seem to cooperate in this progress. The average cow is producing 22% more milk today than the average cow did 25 years ago. And the hens are doing even better. The average hen lays 43% more eggs than did her predecessor a quarter of a century ago. And recently came news of a new breed of hybrid chickens which are virtually guaranteed to lay 20 to 30% more eggs than the average hen today.

Cheap power—**dirt cheap power**—is on the way. It may come from atomic energy, or from solar energy, or from something else. But it is coming, and it will further revolutionize American Industry.

With cheap power will come cheap water for the entire great arid West — by processing the water of the Pacific and piping it to and through the mountains. Cheap water will alter radically the pattern of U. S. agriculture. Moreover, since industry uses more water than does agriculture, the location of industrial plants will also be affected tremendously. Both factors will further stimulate the growth of the water-deficient West.

New Commodities

Our future higher standard of living is going to be characterized by the introduction of an amazing variety of new commodities. Not only will there be a great increase in the total stream of goods, but there will be produced types of new goods which one can hardly imagine.

The difficulty of suggesting the new commodities that are coming can best be appreciated if we were to put our minds back to the year 1900 and suppose that we were trying to forecast what new commodities would have been introduced by 1950. Who would have had imagination enough to anticipate the development of automobiles, busses, trucks, airplanes, widespread use of telephones, including transcontinental and intercontinental telephony, air conditioning, washing machines, dishwashing machines, mechanical refrigerators, vacuum cleaners, pop-up toasters, motion pictures with sound and color, radio, television, penicillin, sulfa drugs, streptomycin, and atomic energy? And this is by no means the end of the list. Indeed, anyone who had ventured to predict all of these things surely would have been classified in 1900 as an impractical day-dreamer.

One of the things which we can count on with certainty is much better homes. The average family in another 50 years (and partially so during the closer decades ahead) will be able to afford to put two or three times as much money into a home as today's average family can. And the average family will expect to get and will get a home which for attractiveness and charm and convenience and for all sorts of unexpected pleasant aspects of living will pass beyond the imagination of any of us today.

The era of personal aircraft is coming. The contraptions may be helicopters, or some other type of machine; but they will make highway travel seem old-fashioned.

Illness will be conquered, health improved, longevity increased, and mental tranquillity encouraged.

These suggestions are not very imaginative. One would need the vivid imagination of a Jules Verne or an H. G. Wells to anticipate even a few of the amazing developments of the future.

Toward Gracious Living

Something very remarkable is going to happen in the United States in the next few decades. Our economic progress is going to pave the way for something even more important—the achievement of **gracious living.**

Up to the present, progress in this direction has been hampered because of economic pressures. Grim economic necessity has pretty much dominated the life pattern of the American people, and has given a sober, puritanical cast to our thinking. Throughout our history, in the United States, except in the old South, the American cultural pattern has been dominated to a large extent by the Puritan mores which emanated from New England. The Puritan system of thinking was stern and severe, and frowned on gaiety and pleasure. By virtue of these very qualities, it had survival value in a difficult economic situation. Moreover, it had character building value. As the Puritan mores spread out of New England and over most of our country, they undoubtedly contributed much to our national development.

The time is now coming however, when some relaxation of these stern values will be possible and will encourage some highly desirable changes in the direction of charming and friendly and gracious living in this country. From the very beginning in New England, the factor which justified and necessitated these stern virtues was **economic necessity.** Up until quite recently, economic necessity continued to play the major role in shaping our thoughts. Economic necessity will continue to be a substantial factor; but its **dominant** control is about to be ended. Then the American people will find themselves so much less under economic pressure that the stage will be set for a basic change in our thinking.

Within a very short time, the economic problem — the problem of making ends meet—is going to be substantially solved for the vast majority of our people. We shall have continuous and adequate employment, a gradually shortening work week, gradually rising incomes, and a steadily improving standard of living. In these circumstances, we shall find that the task of **making a living** will no longer occupy the dominant role; and in contrast we shall see that **enjoying living** will come to be not only feasible but important.

In the development of a pattern of pleasanter living, the Old South and the Southwest can make important contributions. The Old South can contribute from its culture, and the Southwest can contribute precious qualities derived from its heritage of Spanish culture — charming qualities of friendless, gaiety, tranquillity, courtesy, and absence of nervous strain; and love of color, of music and dancing and simple enjoyment of living. These qualities, to be sure, are not the vigorous and stern qualities which make for industrial progress. No. But they make for gracious living; and that is going to be our opportunity and our need for the decades ahead. With the economic problem solved, the American people can achieve a better balance between work and relaxation in future years.

There will be less haste and less tension, more friendliness and more fun; less fear and less worry, and more courtesy and more kindness; less hoodlumism and less gangsterism, and more decency and more civic consciousness. These things are perhaps more important than economic progress. But, whether or not they are, economic advance not only is not incompatible with them, but rather contributes to them.

Summary

To summarize, the United States is not going bankrupt — even if that term is interpreted not in a technical sense, but in a broad sense, meaning the occurrence of some kind of economic disaster.

Quite the contrary. America is headed for great economic progress, and better, richer living.

Continued from page 5

The Market . . . And You

plication goes beyond the possibility of no cut this coming year-end, to the undoubted chance that the current outs will become ins at the fall election of next year, abruptly ending the almost hysterical relief experienced last fall after the election. If the first chance in more than two decades is foozled away, market psychology surely will be depressed. The chance that just this may happen must be leading to considerable liquidation this unhappy spring for investors.

* * *

Investors cannot be pleased with the progress of our international affairs. The prospective loss of Asia will render our domestic position more insecure, will make a very high level of taxes inevitable for years ahead, and will reinforce the push toward socialism in this country. None of this will make for investor confidence concerning the outlook.

* * *

Psychological Liquidation

Liquidation for psychological reasons is speculative. Investors are taking a chance that their fears will work out. If they do not, the eventual end result will be a big rally. Current buyers and holders operating on the statistical background are on more solid ground. Equities, true, can go lower if pushed hard enough, and they well might be. But, in the first place, if the basic trends hold, as there appears to be every reason to anticipate, then most stocks would not seem likely both to go down and stay down. Those portfolios able to withstand interim fluctuations should prove to be on a sound path by buying from now on, on a scale down, on the assumption that quotations when released from their pessimistic environment will come back to a better relationship with basic values, which ought to be at least at the present level and more probably higher.

From now on the price structure should go down hard, requiring a lot of pressure to drive it lower, while it should tend to bounce back easily if and as the general environment improves.

* * *

Rail Earnings Impressive

The publication of additional railroad results for April and the first four months has reemphasized the statistical values to be found in this category of the list. Net income for this industry is headed back up around the former top recorded in 1942, at $902 million. The 1953 figure will be higher if the fourth quarter does not encounter a business setback. Up to then, the monthly comparatives will continue outstanding. Good news in the way of splits and increased dividends, as came from Seaboard this past week, should be coming along regularly. The market does not yet appear to have recognized the wide and permanent improvement in operating efficiency which the carriers have accomplished over recent years as the result of their immense capital investments. If the ICC protects the rate structure, by promptly matching rate levels with whatever wage increases may be granted, these securities will start to become something of the nature of a protected public utility, a far-reaching change since the 1920s and 1930s, and a change very decidedly for the better.

[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.]

R. W. Nelson Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — R. Winthrop Nelson has become associated with Shearson, Hammill & Co., 9 Lewis Street. Mr. Nelson was formerly a partner in Eddy Brothers & Co.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—David A. Whittaker has become affiliated with Bache & Co., Dixie Terminal Building.

Mutual Funds

By ROBERT R. RICH

A PROPOSAL to combine Howe Plan Fund, Inc. with Whitehall Fund, Inc., both mutual funds, was announced by Lee J. Rusling, President of Howe Plan Fund. Mr. Rusling stated that Whitehall Fund has offered to issue shares to Howe Plan Fund in exchange for its assets. Shareholders of Howe Plan Fund are being asked, at a special meeting to be held on June 23, 1953, to approve this sale of assets and the subsequent transfer of Whitehall Fund shares to shareholders of Howe Plan Fund in exchange for their present shares. The number of Whitehall Fund shares to be issued for the assets of Howe Plan Fund will be determined by dividing the market value of the net assets of Howe Plan Fund on the date of sale by the net asset value of a Whitehall Fund share.

In this connection, Mr. Rusling pointed out that after approval by shareholders but prior to the consummation of the sale, Howe Plan Fund will pay out to its shareholders all taxable net investment income and realized net gain on investments. He further stated that the proposed sale of assets and distribution of shares are expected to be tax free to Howe Plan Fund and its shareholders.

In a letter to shareholders, the Howe Plan Fund management states that despite favorable investment results and growth of the Fund, expenses of operation are high in relation to those of larger companies and that for the foreseeable future sale of additional shares cannot realistically be regarded as a source of additional assets necessary to reduce the expense ratio. The management letter states that the proposed combination would result in continuance of investments under conservative investment policies administered by experienced professional investment company management and at the same time would effect significant economy in operating expenses, to the advantage of Howe Plan Fund shareholders. Because Whitehall Fund participates pro-rata with several other investment companies, including Broad Street Investing Corporation and National Investors Corporation, both mutual funds, in an arrangement under which investment research and administrative services are provided at cost by Union Service Corporation, Whitehall Fund is able to operate at a relatively low expense ratio. In 1952 this ratio was 49/100 of 1% of average assets, or well under half the corresponding ratio for Howe Plan Fund. Howe and Rusling, Inc., present investment adviser to Howe Plan Fund, will be associated with Union Service Corporation as special consultant.

The Howe Plan Fund management letter urges that shareholders vote in favor of the proposed combination. According to Mr. Rusling, Whitehall Fund is an investment company of similar type and conservative fundamental investment policies as Howe Plan Fund as well as being approximately the same size. The effect of the combination on the basis of present values would be to increase the assets of Whitehall Fund to slightly in excess of $5,000,000, representing an investment by approximately 1,800 shareholders.

WITH AN extension of the excess profits tax still a matter of Congressional action, increased prices is the basic improvement factor in the increased earnings outlook for tobacco companies, according to Distributors Group, Inc., managers of Tobacco Shares.

"While extension of E.P.T. this year may slow the pace of increased earnings of the tobacco companies," Distributors Group says, "the uptrend in earnings of the tobacco companies is unaltered and should reach very sizable proportions.

"It is true, of course, that this year with a continuation of present tax rates. Including E.P.T. and applied to substantially higher operating income as a result of both increased sales and cigarette prices, more companies will be subjected to E.P.T. this year than last year. Thus, of course, the obvious observation that the tobacco companies would be still better off without any E.P.T. extension.

"Even so," the analysis continues, "a combination of all the variables involved indicates to us that even with a continuation of E.P.T. this year, the combination of increased unit sales and prices will be sufficiently great to enable net earnings increases this year of around 25-30% of last year's net earnings.

"Next year the combination of (1) normal increase in unit sales, (2) increased cigarette prices for the full year and (3) elimination of E.P.T. could easily increase tobacco companies' earnings from 50% to 100% over those of 1952."

* * *

TOTAL NET assets of Dividend Shares were $113,651,038 at April 30, 1953, compared with $108,740,592 on Oct. 31, 1952. Continued growth of the company is also reflected in the number of shareholders, currently at 63,000—the largest number in the company's history.

Commenting on the current rate of industrial activity, Hugh Bullock, President, told stockholders, "Consumer spending as reflected in retail trade is running well ahead of last year. Corporate earnings in the first quarter of this year were about 10% above those of the same quarter of last year and there has been a commensurate increase in dividends. . . . As a result of the increased dividends and the recent market decline general common stock yields appear to be well in line with prevailing interest rates."

Stockholders were also told that in view of the company's liberal income objective, the management has taken advantage of the recent decline in common stock prices to increase the proportions of stock holdings from 88.28% of net assets on last Oct. 31 to 90.33% on April 30, 1953.

It has been the management's opinion, however, the report stated, that present circumstances and prospects suggest a more conservative approach to common stock selection. Accordingly the principal increases in common stock holdings have taken place in those groups possessing strong growth or defensive characteristics, particularly the utility, bank, chemical and rubber industries.

SHAREHOLDERS of Bullock Fund, Ltd., managed by Calvin Bullock, were told in a quarterly letter that the Fund had increased the percentage of assets invested in common stocks from 90% to 94% as a result of purchases made following the first quarter market decline.

Stocks added to the Fund's portfolio included 800 Amerada Petroleum, 5,000 du Pont and 2,000 Firestone Tire.

Additions to existing holdings included 3,000 Aluminium Ltd., 1,000 American Cyanamid, 1,000 El Paso Natural Gas, 1,500 Food Machinery, 1,000 Johnson & Johnson, 2,500 Marathon Corporation and 1,000 Murphy (G. C.) Company. Eliminations included American Power & Light, Hazeltine, New York Air Brake, Northern Natural Gas, Shamrock Oil & Gas, Shellmar Products and Studebaker Corporation.

DIRECTORS of Scudder, Stevens & Clark Fund, Inc. have declared a distribution from net income of 40 cents a share, and directors of Scudder, Stevens & Clark Common Stock Fund, Inc. have declared a distribution from net income of 13 cents a share, both payable June 20, 1953 to shareholders of the respective funds of record at the close of business June 10, 1953.

Scudder, Stevens & Clark Fund, Inc. reports total net assets of $38,108,285 on June 1, 1953, equal to $54.90 per share on 694,165 shares outstanding on that date. This compares with total net assets of $38,045,895 a year ago, equal to $57.67 per share on 659,722 shares then outstanding.

Scudder, Stevens & Clark Common Stock Fund, Inc. reports total net assets of $4,537,855 on June 1, 1953, compared with $3,551,681 a year ago. Per share net asset value of $13.89 on 326,633 outstanding shares, compared with $14.41 per share on 246,440 shares outstanding at that time, adjusting for the share-for-share dis-

tribution on April 30, 1953, having the effect of a two-for-one share split-up.

TOTAL NET ASSETS of Investors Stock Fund, Inc., mutual fund sponsored and managed by Investors Diversified Services, Inc., increased $6,502,519 during the six months ending April 30, the fund's semi-annual report revealed today. The fund had net assets of $48,045,946 on April 30, as compared with $41,543,427 on Oct. 31, end of its fiscal year.

The per share value of outstanding capital stock in the fund was $16.58 on April 30. Number of shares outstanding increased from 2,557,927 to 2,896,468 in six months and total number of shareholder accounts increased from 16,000 to 18,000.

As of April 30, 97% of the fund's investments were in common stocks. Nearly 16% of Stock Fund's holdings were in utilities, 13.44% in petroleum and 12.78% in chemicals shares, the report showed.

I.D.S., the fund's investment manager, "treated a period of comparative weakness in petroleum stocks as a buying opportunity," increasing its holdings of oil stocks during the six months, the report noted.

More substantial investemnts in chemicals were recommended by I. D. S. to the fund's management during the period and adjustments were made in the fund's electronics holdings to concentrate on companies which depend for earnings primarily upon electronics products.

PAYMENT of the 70th consecutive quarterly dividend of $170,438 will be made on June 15, 1953 to shareholders of Financial Industrial Fund, Inc., Charles F. Smith, President of the Fund has announced. The dividend of three cents per share from net investment income will be paid to all shareholders of record on May 29, 1953.

In announcing the dividend, Mr. Smith disclosed that the assets of Financial Industrial Fund, Inc. have increased approximately $3½ million in the past 12 months. Net assets on May 29, 1952 were $10,830,349, as compared to $14,400,002 at May 29, 1953. During the past year shares outstanding increased from 4,250,335 to 5,681,268 a gain of 33%. During the same period Financial Industrial Fund, Inc. has paid to shareholders a total of $552,628 in dividends and $322,410 in security profits.

Shareholders reside in 41 states, the District of Columbia, Alaska, Hawaii and several foreign countries. Financial Industrial Fund dollars are diversified over 71 companies operating in 18 major classes of industry Mr. Smith said.

Financial Industrial Fund, Inc., a diversified, open-end managed Investment Fund, is distributed nationally by Investment Service Corp. The Fund was founded in 1935.

PERSONAL PROGRESS

DUDLEY SHARP, President of Texas Fund, Inc., announced today the election of William A. Wareing as Vice-President of the Fund and President of Bradschamp & Company of Houston, Texas, the Fund underwriter. Mr. Wareing was formerly Vice-President of Bradschamp & Company and in his new capacity replaces Victor Dykes who recently resigned to accept the presidency of the Texas International Sulphur Company.

Texas Fund, Inc., with total assets over $12 million, is one of the nation's fastest growing mutual funds and offers the public a cross-section of investments, in over 70 leading southwestern companies.

MASSACHUSETTS INVESTORS Growth Stock Fund announces the election of William B. Moses, Jr. as a director and a member of its investment management committee.

Mr. Moses who graduated from Yale in 1935 has been associated with Massachusetts Investors Trust since 1941. He became a Trustee at the beginning of 1953. He has concentrated during recent years in investment research on petroleum, natural gas and metal companies.

RICHARD P. CHAPMAN, President of the Merchants National Bank of Boston, has been appointed a member of the advisory committee of Boston Fund. Other members of this committee are Charles Francis Adams, Allan Forbes, G. Peabody Gardner and Henry Guild.

EDWARD F. RYAN, a Vice-President of Boston Fund since 1951 has been elected a director.

LOUIS A. GALLINARI, previously Assistant Treasurer and Clerk, has been elected Treasurer.

Joins Charles Thenebe

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Frank R. Wheeler has become affiliated with Charles E. Thenebe & Associates, 36 Pearl Street. Mr. Wheeler was formerly with Shearson, Hammill & Co. and Tifft Brothers.

Midwest Stock Exch. Elects Thorson Chm.

CHICAGO, Ill.—Reuben Thorson, resident managing partner of Paine, Webber, Jackson & Curtis, Chicago, was elected to serve as Chairman of the Board of the Midwest Stock Exchange at the annual election of the Exchange held June 1. He will succeed Homer P. Hargrave, partner of Merrill, Lynch, Pierce, Fenner & Beane, who has served as Chairman for six years, Lloyd O. Birchard, partner of Prescott & Co., Cleveland, was elected Vice-Chairman of the Board, succeeding Merrill M. Cohen of J. M. Dain & Co., Minneapolis.

New members of the Board elected were:

From Chicago: Lyman Barr, Paul H. Davis & Co. (reelected); Irving E. Meyerhoff, Freehling, Meyerhoff & Co.; Harry A. Baum, Wayne Hummer & Co.

From Cleveland: Herman J. Sheedy, McDonald & Company.

From St. Paul: Fred S. Goth, Irving J. Rice & Co.

From St. Louis: Hunter Breckenridge, McCourtney-Breckenridge & Co.

The following were elected members of the 1953 Nominating Committee: Frank E. Rogers, Chairman, Chicago; Clyde H. Bidgood, Chicago; Fred W. Fairman, Jr., Sills, Fairman & Harris, Inc., Chicago; William F. Rowley, Daniel F. Rice & Co., Chicago; Fred D. Sadler, Chicago; Theodore Thoburn, Hayden, Miller & Co., Cleveland; Paul R. Doelz, Kalman & Co., Inc., St. Paul and Albert M. Schmelzle, Fusz-Schmelzle & Co., St. Louis.

Mannheimer-Egan Inc. Adds Two to Staff

ST. PAUL, Minn.—Mannheimer-Egan, Inc., First National Bank Building, continuing a program of expansion in the sales department, have added William F. O'Connell and Richard P. Egan to the sales staff.

R. A. Smith Joins Rodman & Linn

CHICAGO, Ill.—Roy A. Smith has become associated with Rodman & Linn, 209 South La Salle Street, members of the New York and Midwest Stock Exchange. Mr. Smith was formerly associated with Lamson Bros. & Co.

Joins Beil & Hough

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Clarence W. McKee, Jr. has been added to the staff of Beil & Hough, 33 North Fourth Street, members of the Midwest Stock Exchange.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Paul G. Anderson has joined the staff of Goodbody & Co., 218 Beach Drive, North.

With R. S. Dickson Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Jot O. Sayer, Jr. is with R. S. Dickson & Co., Inc., Grant Building.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Carl A. Crowley and Phillips C. McDuffie, Jr. are now with Merrill Lynch, Pierce, Fenner & Beane, 23 Pryor Street, N. E.

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

NATCHITOCHES, La.—Harold W. Dowden is connected with Slayton & Co., Inc. of St. Louis.

Public Utility Securities

By OWEN ELY

Yield Patterns in Utility Common Stocks

J. Walter Leason of Montgomery, Scott & Co., 120 Broadway, New York 5, has prepared a 25-page "Co-ordinated Study of Leading Electric Power and Light Company Common Stocks." He points out first that while yields on Treasury bonds and utility preferred stocks remained relatively low in the postwar period, yields on high-grade utility equities declined from around 5½% to 4½-5% a short time ago, so that the yield advantage in buying common stocks was drastically reduced. Recently, however, there has been a sharp decline in governments, in corporate bonds and in preferred stocks, further reducing the yield advantage which utility common stocks have enjoyed—unless they also extend their recent price decline.

Mr. Leason points out that "the utility group, probably as much or more than any other common stock category, sells largely on a defensive money yield basis. Of course, this somewhat oversimplifies the appeal of utility stocks, which have attraction for their relative stability of demand, persistent growth, sound cost structure, and monopoly situation as well. However, in the absence of competitive and price factors faced by industrial concerns, and considering the larger number of closely comparable equities, utilities do tend to sell together on a yield basis moderated by proportion of earnings paid in dividends, capitalization ratios and growth prospects."

He feels that utility common stocks with low yields are vulnerable marketwise. In 1946 the Dow Jones utility average declined from 43.74 to a low of 33.20 but since then has advanced substantially (has recently been around 51). A substantial downturn in prices might, therefore, result from any "revaluation" of yields in the market.

The higher current cost of obtaining new utility funds for construction may tend to reduce future earnings available for common stocks, and while this might eventually be reimbursed through higher rates, there is usually a lag in obtaining rate increases. Utilities would also be hurt by a further increase in the corporate income tax, and only a few of them would benefit from elemination of the Excess Profits Tax. Another adverse factor is that the new plants now being constructed will restore the normal 15 or 20% of reserve capacity, while the idle capacity will still carry depreciation, maintenance, tax and interest charges—which may no longer be offset by revenues. This would particularly be the case with lower industrial operations.

He also contends that cost of fuel, supplies and labor are rising and that a smaller percentage of revenues is being carried through the common stock. Finally, the frequent sales of large amounts of common stock may help force the price level down.

However, utility common stocks are not necessarily alone in this situation. Many industrial groups have also advanced significantly in price and do not offer the same defensive qualities as the utility group.

The problem is, therefore, to attempt to select electric utility stocks which combine the best current value, the brightest long-term prospects, and the smallest risk. In making such an analysis, Mr. Leason suggests consideration should be given to the (1) theoretical "standard" dividend rate corresponding to earnings and financial strength rather than to the actual payment; (2) adjustment of earnings to a normal 6% return on investment; and (3) growth potential based on planned increases in generating capacity.

A sliding scale of suggested dividend payments based on the strength of the common stock equity ratio is set up, which may be summarized as follows:

Common Stock Equity	Suggested "Standard" Dividend Payout
20%	50%
25	57½
30	65
35	72½
40	80
45	85
50	90
55	95
60	100

A table of leading electric utility stocks is presented showing the difference between current dividend rates and the "standard" payments corresponding to the stock equity. (It is interesting to note that, coincidentally, American Gas & Electric increased its dividend rate from $1.50 to $1.64 on April 29, whereas Mr. Leason in his May 1 brochure suggested $1.62.)

A second table is then developed on the assumption that the rate of return on capital and surplus should be at least 6% (the usual regulatory standard). Finally, the projected increase in generating capacity for leading companies during the period 1952-55 is tabulated. In the summary and conclusion, two tables are presented, one for the companies which are theoretically paying more than they should, and another for those which could increase their dividend. A summary and opinion for each of the 55 companies is also given.

The development of this "formula" approach to analyzing and rating utility stocks is interesting and helpful, but of course does not take into account all the numerous factors which should enter into a scientific appraisal.

With First California

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—David L. Elks has been added to the staff of First California Company, Incorporated, 9659 Santa Monica Boulevard.

Joins Bingham, Walter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Henry C. Harms is now with Bingham, Walter & Hurry, Inc., 62 South Spring Street, members of the Los Angeles Stock Exchange.

Continued from page 15

Structure and Functioning of Council of Economic Advisers

economics, however, it is obviously silly to have the President posing as a trained economist when everyone knows he is not. Furthermore, there will always be the belief in some people's minds that the reports are not the product of straight-forward economic analysis, but rather are the work of the Council after it has been doctored up by the President or his political aids. This was the charge made by Senator Taft in 1948.

Problem of Political "Doctoring" Of Reports

Actually, this problem of "doctoring" for political reasons arises whether the results of the Council's economic analyses are presented over their own signature, or over that of the President. It is a simple fact of political life that the Council, in its own reports, cannot and should not differ violently from the general policies of the President. Minor differences, yes. There are many considerations other than economic which the President must take into account in formulating economic policy. But if a Council of Economic Advisers is in fundamental disagreement with the philosophy and policies of the Administration, and cannot in a reasonable time persuade the President and his other advisers to change their position, it should get out. The institution of the presidency, if it is to be an efficiently functioning mechanism, must be a team, not a group of quarreling soloists.

On balance, it seems to me that the results of the Council's studies should be made public especially if it is a three-man Council. If there is to be a one-man Council, there might be more reasons for a confidential relationship with the President, and for confidential reports, perhaps supplemented by occasional published reports on the conclusions of special studies of a technical character.

The Council and Congress

The relationship of the Council to the Congress presents, of course, an entirely different set of problems. The Council is one of the staff arms of the President. It is a part of the presidency. It does not report to the Congress. This raises the question as to the appropriateness of members of the Council appearing before committees of the Congress, submitting themselves to questioning, and defending the economic recommendations of the Council or of the President.

The issue here seems to be quite clear. So long as the Council publishes, over its own signatures, the results of its economic studies, it should be required to submit itself to questioning, and to defend its conclusions. I fail to see the logic in the Council stating its views in signed, published reports, making speeches freely before various groups, and, so to speak, talking with everyone else, yet refraining from talking with the people who make the final policy decisions which so much concern it—the Congress. On the other hand, if its advice to the President is done on the basis of anonymity, it would be appropriate for that anonymity to be absolute; that it, for the Council to refrain from discussing publicly, in any way, the results of its thinking.

There are some real advantages in having members of the Council appear before congressional committees and others to defend their conclusions. An economic report, no matter how carefully written, can never be a complete and absolutely clear document. It is helpful to the members of the Congress to be able to ask questions of the drafters of that report to clarify ambiguous points, and to make explicit assumptions, or lines of reasoning or argument which may have been implicit in the written report. The Congress is entitled to this kind of interpretation and defense of materials submitted to it, and who is in a better position to interpret and defend those materials than the authors thereof?

Furthermore, economics is by no means an exact discipline. There is abundant room in the field of economics for difference of opinion between honest, reasonable and informed men. It is not necessary to conceal the fact that, on particular points at issue, the members of the Council may not see eye to eye with each other, or may not entirely agree with the President. It should not embarrass the Administration or the President personally for the members of the Council to differ with each other or with him on relatively minor points in a major program. And, as I remarked earlier, if a member of the Council is fundamentally at odds with the policies of the Administration, he should withdraw and express his opposing views from the outside.

Actually, because this issue received so much public attention, appearances of the members of the Council before congressional committees have been fairly limited. Such joint discussions as have taken place have been very constructive, both to the Council and to the Congress. Under the present set-up, much more such testimony before congressional committees should probably have been undertaken.

Relationships With Other Government Agencies

There are two aspects of relationships between the Council and other agencies of the Government. The first concerns the process of economic policy formulation. The second concerns the character of economic research done in the various agencies of the Government.

Economic policy is developed in all agencies, and at all levels of Government, but it is the function of the Council to coordinate this policy formulation, to reconcile so far as possible conflicting views before they reach the Presidential level. And there are conflicting views. The Departments of Labor, Commerce and Agriculture — the so-called mirror pressure groups —are sometimes almost as biased in their viewpoints as the economic groups they represent. And even the regulatory agencies, such as the ICC or the Federal Reserve, have been known to take their charges unto their bosoms and become their defenders in the councils of government.

Although the process of economic policy formulation has a seasonal pattern, set by the timing of Congressional sessions and the fiscal year, it is a continuous process. The Council of Economic Advisers, as the agency charged with economic policy coordination, should be in daily communication with economists and agency heads in all parts of the Government. It should be familiar with economic policy issues in their earlier developmental stages. It should participate in discussions of these policy issues at lower echelons and attempt to resolve them before they reach higher levels. The Economic Report and the Council's Economic Review should be developed out of this entire process of policy formulation. I should add, however, that it is often true that economic policy issues may be debated interminably at lower levels without ever coming to a head, and the drafting of the Economic Report often provides a device of forcing the issue to a decision.

In part, this is the way the Council has operated. But there has been a strong tendency for the Council to concentrate on the semiannual reports, and to be more-or-less ignored during the remainder of the year. I need cite only one instance. In early 1951, the President appointed a committee to explore means of reconciling monetary and bond support policies. The Chairman of the Council was on that committee. But before that committee could report, and in order, I believe, to thwart any invasion by the Council into the "private affairs" of Treasury and Federal Reserve, these two agencies met quickly and privately, and reached and announced their well-known "accord." The committee subsequently rendered what might be called an "*ex post facto*" report.

Whether this semi-isolation of the Council has been the fault of the Council or of others is not easy to determine. It is a simple fact of bureaucratic life that any new agency finds it extremely difficult to "muscle into" the power hierarchy of Government, even when it is given extraordinary powers (e.g. the Office of Defense Mobilization). Whatever the reasons, the Council has fallen considerably short of the role which I, for one, would assign to it in this respect.

Perhaps the situation can best be summarized by identifying three levels of economic policy making. First, is setting the general tone—the broadest kind of policy formulation. At this grandiose level, the Council has played an important role. Second is the specific policy level—concrete but major problems of policy. Here the Council has largely been a failure, partly because of the problem of muscling in, and partly because at times the Council members could not agree among themselves. Third is the area of day-to-day policy problems of a quasi-operational character. The staff of the Council has done some good work here, where they enjoyed good, informal relations with the agencies concerned, but in toto, the effect has been minor.

My conclusions are even less favorable with respect to the other aspect of the relationship of the Council with other Government agencies, that is, coordination of research activities.

Council Not an Originator of Economic Data

The Council of Economic Advisers is not an originator of economic data; it depends entirely upon other agencies of Government and upon private sources for its economic information. Furthermore, the Council is a very small agency, and is required by statute to remain small. It does not have the facilities to undertake any very extensive economic research projects. It must depend largely upon other agencies and non-Government sources for basic economic research.

Yet the Council is the only agency of the Government concerned with the totality of economic activity. The Employment Act, except for the widely embracive stipulation that the Council concern itself with employment, production, and purchasing power, gave the Council a completely free hand as to scope of its investigations and recommendations. It is the President's general economic staff, with emphasis on the word "general."

It would be entirely appropriate for the Council to coordinate research activities of the various agencies of Government. It should endeavor to eliminate duplication of research activity, and more important, to encourage economic research activities which, when added together, will give as complete as possible a picture of the functioning of the economy. I am not referring simply to routine data collection, which is reasonably well coordinated by Bureau of the Budget. I am referring to the analysis and interpretation of economic data (which may require, it is true, the collection of data not ordinarily available). Such Government economic research activities are largely uncoordinated. The agencies develop their own research programs, with little or no consultation with the Council, and frequently duplicate research activities in other agencies or in the Council itself, as was the case in the recent Department of Commerce study on markets after defense.

The reasons for this are several. They arise, initially, from the fact that the Council has never been given specific authority, either by statute or executive order, to coordinate such economic research activities, although such authority might be inferred from the statutory requirement that the Council "appraise the various programs and activities of the Federal Government . . . for the purpose of determining the extent to which (they) . . . are contributing to the achievement of" the policies of the Act. Moreover, simply as a matter of status —in which salary is the accepted criterion—the Council is one step below the subcabinet level (i.e., department undersecretaries or the Director of the Bureau of the Budget). This is one notch too low for this implied authority to be very real. Furthermore, even if it had such status and explicit authority, there is always the problem of the inevitable jockeying between agencies of the Government, in which no agency is willing to admit that any other agency outranks it.

Whatever the reason, this is a field of activity which could be greatly expanded.

The Functions of the Council

The functions of the Council, *vis-a-vis* the public generally, are: first, to provide economic information, not only economic facts but also careful interpretation of those facts; second, to establish goals for the economy—goals which are reasonable and capable of achievement, but which nevertheless challenge us to make efforts commensurate with the need; third—and this is a responsibility which I believe the Council cannot escape—to forecast future economic tendencies. I hasten to add that by forecasting I do not mean simply the prediction of the inevitable consequences of unchangeable economic processes. I mean a projection of the probable course of economic events if certain policy actions are taken, or not taken, by the Government and by private individuals, together with conclusions as to the best combination of private and public policies to achieve the objectives previously set forth. And fourth, it is the responsibility of the Council, by logical argument, to persuade decision-making individuals, within the Government and out, to make those decisions which will contribute most to achievement of these objectives.

With respect to the first purpose, that of providing economic information, I have little to say. The data presented in the reports, particularly in the appendices, and in the monthly "Economic Indicators," have been organized in a way that makes them useful to a great many people. Whether the interpretations of these economic facts have been adequate and reliable is a matter of opinion. Perhaps the greatest shortcoming is the fact that, in trying to write their materials appropriate both the non-economists—members of the Congress and to the public generally—and to professional economists, the Council may have missed both audiences. That is, the reports contain just enough economic jargon to repel many non-economists; on the other hand, the Council felt compelled to omit much of the logical development and theoretical reasoning which professional economists would find helpful and informative. For example, in the last Annual Economic Review, the draft up through the galley proof stage had about a three-page discussion of the relationship between the consumption - investment balance and price - income relations. We decided at the last minute to delete this material, and to substitute instead a brief, highly oversimplified treatment, which though perhaps not intelligible to the layman, at least had the merit of brevity. Probably the only solution to this problem is to prepare more reports, but briefer ones, and to divide them into two rather clean categories depending upon the audience to whom they are addressed.

The second purpose, that of establishing goals for the economy, is a vital one. The Employment Act is not simply an anti-depression Act. To quote the President's recent "Economic Report":

> "The Act is not meant simply for salvage operations; it does not set up a standby mechanism to be brought onto the scene only on those extreme occasions when the economy needs to be dredged out of a hole. It symbolizes the marshaling of the forces of private and public policy in support of a full and growing economy."

The Council has regularly set forth goals for economic growth. Some persons have had the impression that these goals are just fanciful figures, picked out of the blue air, and completely unrealistic. For this reason, in the last report, we tried to spell out, at some length, and showing most of the arithmetic, just how the goals were developed and showing that they were based on reasonable assumptions as to population growth, rate of participation in the labor force, level of unemployment, hours of work, productivity increases, etc.

Just how far the Council should go in calculating such goals is a matter of argument. So far, the Council has not gone beyond the most general sort of goal—total GNP, total employment, etc. It is my feeling that is should go further, as did the National Planning Association in their recent study, and at least establish goals for an investment - consumption balance which would be conducive to stable economic growth. It is also my feeling, however, that it should not go to the point of setting industry - by - industry goals, as is done in Britain. That is too detailed a type of economic planning for as flexible an economy as ours.

Forecasting the Future

Third, the Council has the obligation to project into the future, not simply on the basis of hunches or intuition, but on the basis of reasoned economic analysis and facts which are explicitly set forth. In fact, I believe that this is a statutory obligation. The Act requires the Council, or rather the President on the advice of the Council, to set forth "current and foreseeable trends in the levels of employment, production, and purchasing power."

The recent "Annual Economic Review" is the first one in which the Council has attempted to make quantitative projections—i.e. forecasts—of demand in the major sectors of the economy, at least beyond the immediate, short-run future. The rather timid step in the 1950 "Annual Economic Review" might be con-

sidered an exception to this statement. But even in the present report, the Council drew back from quantification with each successive draft of the report until, at the end, it was impossible to add the figures together into a projection of total GNP.

In brief, it is the responsibility of the Council, following the leadership, incidentally, of the Joint Committee on the Economic Report, to project into the future the way in which economic forces are likely to work out, the ways in which changes in public and private policies — or absence of changes—are likely to affect the working out of these economic forces, and to rid these projections of as much vagueness as possible by quantifying them to the maximum extent permitted by the facts at hand. Only by so doing can the Council be really useful in the process of policy formation, public and private.

Council Should Engage in "Jawbone Economics"

Fourth, it is the responsibility of the Council to **persuade**; that is, to engage in jawbone economics. Jawbone economics, like jawbone price control, is not held in very high repute. Yet the Council through its published reports, through the President's reports, through its meetings with advisory committees representing business, labor, consumers, and other groups, and through other public utterances, has done a great deal to influence economic thinking in this country.

Its performance has probably been least in the fields of private price policy and wage policy, for easily understandable reasons, but even here there are signs both in labor unions and in the larger corporations of more sophisticated economic thinking, to which the studies of the Council have contributed. The public statements of the Council have also been instrumental in developing an informed public opinion without which the relatively sound fiscal policies of the last few years would not have been possible. But most important, the Council has played a leading role in overcoming the mature-economy, economic stagnation thesis of the late 1930's and substituting for it the concept of a dynamic, expanding economy. There are very real evidences that businessmen are becoming increasingly convinced of the inevitability of long-run growth in the American economy, and are planning their investment programs accordingly.

Of these five areas of relationships, relationships with the economics profession have been the least satisfactory. To a distressingly large extent, the Council has isolated itself from the main body of professional economists in the country. Because of the accident of timing of the "Annual Economic Review," the members and staff of the Council have been unable to attend the annual meetings of the national professional associations, except perhaps for very brief appearances. There is no advisory committee to the Council representing the American Economic Association, Relatively few economists have been brought in to the Council on a consultant basis to advise it in its thinking. True, the Council, directly or through its staff, has attempted to keep fully informed of the published writings of economists, but clear thinking in the field of economics requires more than reading the literature. It requires frequent personal contact, the give-and-take of argument with leading thinkers in the various fields of economics.

The reasons for this development are not easy to identify. They may lie partly in the instinctive distrust, in the mind of the economist charged with positive politico-economic policy formulation, of the unreal, otherworld attitude of many academic economists. Politics have been called the art of the possible. If that be true, the economics of many academic economists might well be called the theory of the impossible. Too many academic economists can only show how it is impossible to achieve full employment, price stability, or a more equitable distribution of the economic product. But the Council is charged by law to do just that, be it possible or impossible.

This gap between the Council and the economics profession is a difficult one to bridge, and responsibility lies fully as much with the professional economists in the academic world as it does with the political economists in Government. I have always been impressed with the speed with which academic economists cut off their long hair when they enter positions of responsibility in Government and are called upon to make or to help to make economic policy decisions.

Part of the explanation may lie in the personalities of the individuals involved, which only emphasizes the importance of appointing as members of the Council of Economic Advisers persons who are recognized by their associates as being professionally competent.

Part of the explanation may lie in the lack of necessary funds. The Council has not been in a financial position to pay the expenses of very many consultants, or to send the members of its staff into the field — an experience which would not only enhance their professional competence but would also enliven the interest of other economists in the work of the Council. Neither has the Council been able to afford to farm out research projects to universities or other research institutions.

Whatever the reason, I would hope that the new Council will greatly extend and strengthen the relationships between the members of the Council and its staff and the economics profession generally. The Council should be a focal point for economic thought in this country. It should draw freely upon all competent, professional economists for ideas, advice, and criticism. It should contribute to the work and thinking of the economics profession by giving suggestions and guidance to economic research, by providing materials for economic instruction, and by providing a forum which the ideas of economists of all shades of opinion could be aired and argued out. In other words, the Council should be more than simply an advisory agency of the Government; it should be one of the main centers of politico-economic thought in this country.

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The State of Trade and Industry

in April, mostly charge accounts and single-payment loans, rose $102 million to reach $6.5 billion, an increase of $302 million from April, 1952.

United States farm products exported in March declined for the ninth consecutive month, states the United States Department of Agriculture. Shipments were valued at $250.6 million, or 33% below the $373 million of March, 1952. The Department predicted agricultural exports during the fiscal year ending June 30 would decline to about $2.9 billion, compared with about $4 billion in fiscal 1952.

April new business incorporations were down slightly from the March number but for the 15th consecutive month remained above the level of the corresponding month of the previous year. Stock corporations chartered during April totaled 9,507, Dun & Bradstreet, Inc., reports. This was 1.6% less than the March figure at 9,659, but it was an increase of 14.8% above the 8,284 recorded in April last year.

Corporate activity in the first four months of 1953 revealed an aggregate of 36,577 new business organizations. This was the highest for any similar period since 1948 and represented a gain of 15.5% over the 31,681 for the first four months of 1952. Declines from a year ago were shown in only four states for the cumulative period.

Steel Output Scheduled at 100.3% This Week

The nation's number one consumer of steel—the automobile industry—is taking precautions against a shortage of the forms of steel it uses by lining up conversion steel for fourth-quarter delivery, "Steel," the weekly magazine of metalworking, currently reports.

In contrast to the automakers' views are estimates from other quarters, states this trade magazine, that demand for steel will drop off in the last three months of this year. Those latter estimates vary: Some people think the decline will be just sufficient to put demand and supply into balance, while others believe the drop will be substantial enough to result in reduced production of steel, it adds.

Most numerous among those believing steel demand will shrink in the last half of the year are officials of the steel producing companies. Roughly, they estimate steel ingot production for this year will range from 105 million to 110 million net tons, with 58 million tons in the first half.

Because steel industry officials are noted for conservatism in their outlook, some observers are inclined to discount the predictions of drop in demand this year "Steel" declares.

Being the biggest consumer of steel, the auto industry holds a very important key as to how long steel demand will be high. Steel mills are aware that balance between demand and supply—even a steel surplus—could come pretty fast if big users like auto and appliance companies should start trimming their orders, states this trade journal.

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 100.3% of capacity for the week beginning June 1, 1953 equivalent to 2,262,000 tons of ingots and steel for castings unchanged from a week ago. For the like week a month ago the rate was 100.2% and production 2,259,000 tons. A year ago when the capacity was smaller actual output was placed at 804,000 tons, or 38.7% of capacity.

On June 2nd of last year the United States Supreme Court in a six-to-three decision ruled that the government's seizure of the steel industry on April 8, 1952 was unconstitutional. Immediately following this decision the United Steel Workers Union ordered a strike, thus accounting for the sharp decline in output that week.

Electric Output Curtailed by Memorial Day Holiday

The amount of electric energy distributed by the electric light and power industry for the week ended May 30, 1953, was estimated at 7,960,693,000 kwh., (preliminary figure) according to the Edison Electric Institute.

The current total was 52,209,000 kwh. above that of the preceding week when output totaled 8,012,902,000 kwh. It was 1,149,966,000 kwh., or an estimated 16.3% above the total output for the week ended May 31, 1952, and 1,515,952,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Fall 1.3% Below Week Ago

Loadings of revenue freight for the week ended May 23, 1953, totaled 769,618 cars, according to the Association of American Railroads, representing a decrease of 10,187 cars, or 1.3% below the preceding week.

The week's total represented an increase of 7,913 cars, or 1.0% above the corresponding week a year ago, but a decrease of 42,181 cars, or 5.2% below the corresponding week in 1951.

U. S. Auto Output Recedes Further in Latest Week

Passenger car production in the United States last week continued to decline because of the wave of supplier strikes, according to "Ward's Automotive Reports."

It aggregated 101,637 cars compared with 132,157 cars (revised) in the previous week, and 76,256 cars turned out in the like 1952 week.

Total output for the past week was made up of 101,637 cars and 14,765 trucks built in the United States, against 132,157 cars and 19,452 trucks in the previous week and 76,256 cars and 21,858 trucks in the comparable 1952 week.

Canadian factories built 8,628 cars and 3,070 trucks last week, Ward's said. In the preceding week they turned out 7,903 cars and 2,935 trucks and in the comparable 1952 week 4,740 cars and 2,081 trucks were assembled in the Dominion.

Business Failures Halt Downward Trend

Commercial and industrial failures rose to 168 in the week ended May 28 from 156 in the preceding week, Dun & Bradstreet, Inc. reports. Casualties exceeded the 136 and 132 which occurred in the comparable weeks of 1952 and 1951, but were one-third below the prewar level of 249 in 1939.

The week's increase was concentrated in failures involving liabilities of $5,000 or more, which rose to 138 from 123 last week and were considerably higher than a year ago when 95 succumbed in this size group. Among small casualties, those with liabilities under $5,000, there was a dip to 30 from 33 in the previous week and a marked decline from 41 in the similar week of last year. Fourteen failures involved liabilities of $100,000 or more, compared with 11 last week.

Wholesale Food Price Index Holds Unchanged At 7-Month Peak

The Dun & Bradstreet wholesale food price index for May 26 held unchanged at last week's seven-month peak of $6.47. This was a rise of 0.3% over the year-ago number of $6.45, but it reflected a drop of 9.6% from the like week two years ago when it stood at $7.16.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Lower Following Sharp Declines in Grains

The general commodity price level moved downward last week largely reflecting further sharp declines in grains. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 277.35 on May 26, comparing with 279.15 a week before, and 296.65 on the like date a year ago.

Leading grain markets continued to be unsettled with all grains registering sharp losses for the week. The demand for wheat remained slow and prices dropped to the lowest since 1950 as the first cars of new crop wheat began to arrive at terminals in Texas.

Continued favorable weather and crop news tended to discourage buying while current large stocks of wheat and the problem of storage space for new crop wheat also were depressing factors. The entire list was subjected to further pressure toward the close of the week by a sharp break in soybeans, influenced by rumors that some soybean processing plants were closing down or reducing operations. Corn, oats and rye were also under heavy liquidating pressure and reached new low prices for the season in sympathy with the break in soybeans. Daily average purchases of grain and soybean futures on the Chicago Board of Trade totalled 36,700,000 bushels last week. This was down slightly from 37,400,000 the previous week, and compared with 45,200,000 in the same week last year.

The steady decline in wheat prices failed to stimulate any interest in the domestic flour market.

Bookings continued small and mostly of a fill-in nature as buyers showed a disposition to hold off until after the new wheat crop movement had begun. The export flour market remained very slow. Cocoa prices moved in a narrow range and finished slightly lower for the week in limited trading. Warehouse stocks of cocoa rose moderately to 153,772 bags, from 140,540 a week earlier, and 101,807 bags on the corresponding date last year. Coffee prices trended somewhat easier, reflecting dull demand from roasters who reported a tapering off in the call for their finished product. Domestic raw sugar prices held fairly steady in moderately active trading. Lard was easier in sympathy with vegetable oils. Live hog values were firmer as were wholesale pork prices. Steers and lambs were also higher for the week.

Domestic cotton prices moved irregularly lower last week largely influenced by the pronounced weakness in grains, renewed prospects of a truce in Korea, and continued slowness in textiles and in export trade.

Sales volume in the 10 spot markets increased moderately for the week but was under a year ago. Domestic consumption of cotton in the five-week period ending May 2, as reported by the

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The State of Trade and Industry

Bureau of the Census, was 905,000 bales, or an average of 36,700 bales per working day. The latter was slightly below the March average, and compared with 33,900 in April last year.

Trade Volume Holds Up Aided By Mild Weather and Promotions

Shoppers increased their spending slightly in most parts of the nation in the period ended on Wednesday of last week as attractive promotions and mild weather stirred their interet. The most marked rises were in the buying of apparel and outdoor supplies.

As during most of the last year, shoppers generally spent more than in the comparable week a year earlier. A larger portion of each retail dollar was spent for hard goods than at this time in 1952; sharp year-to-year gains continued to be noted in the purchasing of automobiles and parts.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 2 to 6% higher than the level of a year ago. Regional estimates varied from the corresponding 1952 levels by the following percentages: New England and Northwest +1 to +5; East and Midwest +2 to +6;-Southwest +4 to + 8; South and Pacific Coast +3 to +7.

Apparel stores in most sections noted a strong surge of shopping last week. The total receipts of apparel retailers continued to surpass the level of a year earlier. Gaining most in popularity the past week were cotton dresses, denim sportswear and men's lightweigth slacks. The demand for luggage rose with the approach of the vacation season; plastic-covered pieces gained wide attention.

Shoppers continued to spend more for household goods than they did a year earlier. Interest turned from television sets, large furniture items, major appliances, and washers to room coolers, outdoor furniture and gift items.

Trading activity in most wholesale markets in the period ended on Wednesday of last week was about on a par with the high level of the prior week; as during recent months, the total dollar volume of wholesale orders remained slightly higher than that of a year earlier. Inventories of most items were moderately larger than the year-ago level with the most pronounced rises in consumer durables.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended May 23, 1953, advanced 8% above the level of the preceding week. In the previous week an increase of 6% (revised) was reported from that of the similar week of 1952. For the four weeks ended May 23, 1953, an increase of 6% was reported. For the period Jan. 1 to May 23, 1953, department stores sales registered an increase of 5% above 1952.

Retail trade in New York the past week suffered from cooler weather and to a lesser degree as a result of the Memorial Day holiday. Trade observers place the decline at close to 15% under the volume of the like week in 1952.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 23, 1953, registered a rise of 7% from the like period of last year. In the preceding week an increase of 9% was reported from that of the similar week of 1952, while for the four weeks ended May 23, 1953, an increase of 6% was reported. For the period Jan. 1 to May 23, 1953, volume registered no change from that of 1952.

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Excess Profits Tax Is Bad— But We Need the Revenue!

mated for that year. This would make the deficit $11.1 billion.

In his message of May 20 to the Congress, President Eisenhower showed a reduction of $4.5 billion in the proposed expenditures; this would bring the projected deficit down to $6.6 billion. I personally am disappointed that we have not been able to make greater reductions in expenditures.

I had hoped until a few weeks ago that it would be possible to cutback government spending fast enough to justify a reduction in individual income taxes and the end of the Excess Profits Tax on July 1. Unfortunately, that is not possible.

I am confident that further cuts can be made as the year progresses. But I am also satisfied that the reductions now proposed are all that can be made safely at this time.

We live, as the President has said, in an age of peril. The danger of an atomic Pearl Harbor is real. Reductions in defense spending must be made only after full account is taken of all the security factors involved. We can, in time, secure more defense for less money. Action to date gives me confidence that this result can be accomplished.

In business, a management can drastically cut back on some activity and later rebuild it if the original cut turns out to be too large. On matters affecting national security, we cannot take this risk. The chance for second guessing may never come. Much though we dislike the level of government spending and taxation, we are not willing to gamble with the nation's defense by too rapid cuts in defense outlays which might leave us open to attack.

A Gamble We Cannot Take

There is a second gamble we cannot take. With a deficit of $6.6 billion, it is not safe to gamble with the country's economic security by making immediate cuts in taxes. This would simply increase the deficit, again build up inflationary pressures and further postpone the time when a sound economy, sound money and a balanced budget can be attained.

The projected deficit of $6.6 billion for fiscal 1954 is after taking into account four major tax reductions which are scheduled to occur under present law during the year. The sequence of these reductions was fixed by legislation adopted some time ago, without reference to the military or economic situations which might exist when the tax cuts were to become effective. A sensible financial plan cannot possibly be made now out of such a schedule in view of present conditions.

At the start of the next fiscal year, that is, on next July 1, the Excess Profits Tax expires. This will involve a loss of revenue of $2.0 billion in a full year and $800 million in fiscal 1954.

The individual income tax rates are planned to go down at the beginning of next January by amounts ranging from about 10% in the lower and middle brackets to between 1% and 2% in the highest brackets. This will involve a loss of $3.0 billion on a full-year basis and $1.1 billion in fiscal 1954.

On April 1, 1954, the normal corporation income tax is to be reduced from 30% to 25%, with the surtax remaining at 22%. This will reduce the total regular rate on the bulk of corporate income from 52% to 47%. It will mean a loss of $2.0 billion in a full year, with only a small loss in fiscal 1954.

At the same time, April 1, 1954, various excise taxes are also scheduled to be reduced, for a loss of $1.0 billion on an annual basis and $200 million in fiscal 1954.

These reductions all add up to $8.0 billion for a full year and $2.1 billion for fiscal 1954.

Two things are wrong with this scheduled of tax reductions. First, with a deficit of $6.6 billion, no immediate tax reduction can be safely made. And second, there are many inequities and hardships which occur from various provisions of the several tax laws. These affect many corporations and a great many individuals. In the present situation, it does not seem fair to let the first reduction benefit only a relatively small group of corporations at least six months ahead of any relief for any other taxpayers.

Individual income taxes need to be reduced. There are many defects in the excise taxes and many inequities affecting both corporations and individuals under many provisions of the tax laws which need to be corrected. Much though I dislike the Excess Profits Tax, it should not be singled out as the only one for special treatment now.

President's Recommendations

On the basis of all of these facts, and taking into account the need for maintaining military security and economic security, the President has made the following recommendations to the Congress concerning immediate tax legislation. In his message to the Congress of May 20, the President said:

"(1) The Excess Profits Tax should be extended as now drawn for six months beyond its present expiration date of June 30. This action seems necessary in spite of the fact that this is an undesirable way of taxing corporate profits.

"Though the name suggests that only excessive profits are taxed, the tax actually penalizes thrift and efficiency and hampers business expansion. Its impact is especially hard on successful small businesses which must depend on retained earnings for growth. These disadvantages of the tax are now widely recognized. I would not advocate its extension for more than a matter of months. However, under existing circumstances the extension of the present law is preferable to the increased deficit caused by its immediate expiration or to any short-term substitute tax.

"The scheduled expiration of the tax in June would be misleading in its consequences. It would simply mean that the tax would be applied at half the full rate, 15%, to all of this year's business income. Therefore its bad effects in penalizing efficiency and encouraging waste will continue through this year in any event. The extension of the tax through December, 1953, would maintain the full 30% rate for the entire year and would produce a gain in revenue of $800 million in the fiscal year 1954.

"(2) The reduction in the regular corporate tax rate from 52% to 47%, now scheduled to go into effect on April 1, 1954, should be rescinded. A continuation of these extra five percentage points on the corporate tax will bring in about $2 billion a year, about the same amount as will be lost annually by the expiration of the Excess Profits Eax at the end of this calendar year.

"Though a 52% corporate tax rate is too high for the long run, the budget will not now permit a reduction in both individual and regular corporate tax rates. A reduction in individual taxes must come first, for the benefit of the entire economy.

"(3) The increase in the old-age insurance tax from 1½ to 2% on both employees and employers, now scheduled to go into effect next Jan. 1, should be postponed until Jan. 1, 1955.

"The old-age and survivors trust fund has now reached almost $18 billion. Receipts at present tax rates are currently well in excess of expenditures. The further addition to the fund which would flow from the projected tax increase is not required.

* * *

"(4) The wide variety of existing excise rates makes little economic sense and leads to improper discrimination between industries and among consumers. Specific proposals for a modified system of excise taxation will be included in the recommendations for tax revisions that will be submitted to the Congress next January.

"The reductions in excise taxes, which would take place next April 1 under present law, should be rescinded pending the development of a better system of excise taxation.

"(5) I believe that a reduction in personal income taxes can and should be made effective next Jan. 1. This reduction will amount to about 10% on the lower and middle incomes, graduating down to between 1 and 2% on the highest brackets. While this reduction is in accordance with existing law, it would have been impossible to accomplish on the basis of the previous Administration's budget without additional deficit financing with its resultant inflationary pressures. A reduction will be justified next January only because of reductions in proposed expenditures which the present Administration has already been able to make and because of additional economies we expect to achieve in the future."

In the same message, the President referred to the need to revise the whole tax structure "to remove existing inequities . . . simplify the needless complications which have developed over the years in tax laws, and generally secure a better balance of tax revenues. . . . At the same time, we must develop a system of taxation which, to the greatest extent possible, will not discourage work, savings and investment, but will permit and encourage initiative and the sound growth of our free economy."

As you have said in various occasions, Mr. Chairman, the present system has developed in a patchwork manner over many years. It needs a thorough overhauling. We are pleased to know that you have directed your staff and the staff of the Joint Committee to work on this revision.

We in the Treasury are also hard at work on the same subject. We appreciate the opportunity for cooperation in various ways. We already have set up ten joint committees with representatives of your staffs and the Treasury.

With this statement on the general background, I turn to the President's recommendation for the extension of the Excess Profits Tax, without amendment or modification, for six months through Dec. 31, 1953. It should be clear from the President's statement that we disapprove in principle of so-called excess profits taxation. I shall not elaborate on the disadvantages and bad effects of this form of tax. They are familiar to all of us. It will be a relief when the tax is off the books. I want to emphasize that the recommendation is for a six-months extension. We would object to any extension beyond that time.

What Corporations Pay EPT

In considering the Excess Profits Tax, it is important to see what corporations pay it. Complete data on returns filed in 1951, for 1950 income, show that 50,200 corporations paid an excess profits tax. This was less than 12% of the 424,000 corporations with taxable income in that year. Preliminary figures for returns on 1951, income, filed in 1952, show that the percentage was even smaller in that year.

Furthermore, most of the tax was paid by large companies. The 1950 returns showed a total Excess Profits Tax of $1,385,000,000. Of this total, $1,234,000,000 were from corporations with net incomes of more than $250,000 each. This means that only $151,000,000 or 11% of the total tax came from companies with incomes below $250,000. The incomplete figures for 1951 income show that this same relationship between large and small companies continued in that year. The full details on the 1950 returns are being filed with the Committee today.

The significant point to me from these figures is that though the tax is a very serious barrier to growth for rapidly expanding small companies, it does not affect the vast majority of companies. It falls most heavily on profitable large companies.

I want to be sure that my position on this point is clear. The present distribution of the corporate tax burden is bad because of the tax barriers to growth and the tax penalties on efficiency. But for the rest of this calendar year, most of the bad effects are present anyway.

As the President has noted, the expiration of the tax on June 30 would be misleading in many respects. Regardless of the date of expiration, the tax is computed on a full-year basis. Even though it expires on July 1, its provisions are applicable to the rest of the year. The expiration of the tax in the middle of the year simply means that the rate is lower on the income for the entire year. Thus, if a company lost money through June and made large profits in the last part of the year, it would still be subject through December to all of the peculiar, damaging effects of excess profits taxation on business judgments, even though the tax had supposedly expired some months previously.

Since the vast majority of companies are on a calendar-year basis, the end of the calendar year is the logical time for the tax to expire. I would feel entirely differently about extending the tax even for one month into another year.

A while ago I mentioned the fact that we had had to reduce the earlier estimates of tax receipts. For this year, with only a month left, we know that receipts will be at least $1.5 billion below the estimate made last January. For next year, the reduction is $1.2 billion. Our figure for next year's receipts differs by only $100 million from that made independ-

ently by the staff of your Joint Committee.

The reductions in estimates do not mean that tax collections are falling off. It just means that the original estimates were too high. Collections this year will be several billion dollars more than in any previous year in the history of the country. Next year, even with the tax reductions proposed in the President's program, receipts will be higher than this year.

The extension of the Excess Profits Tax for six months, without modification or amendment, is a necessary first step towards economic security. It will give us time to get control of the budget. It will help in maintaining a sound dollar. It will make it possible for tax reductions and revisions affecting everyone to take place at the same time next year. It will lessen a gamble with national economic security.

We are convinced that this is a sound program. The overwhelming editorial support from all sections of the country is very gratifying. We are satisfied that the country as a whole is back of the President's program.

I urge, therefore, that the tax be extended without modification for six months and that we the get rid of it once and for all. In the meantime we will devote ourselves to further reducing current expenditures so that the reduction in individual income taxes for all the people can justifiably be made a reality. Then all of our efforts will be used in developing a better tax structure under which the elimination of many of the inequities and injustices for all tax payers, both corporate and individual, can be made at the same time as the Excess Profits Tax expires. In that way justice and fair dealing can be done equally and contemporaneously for all.

Luckhurst & Co., Inc. Offer Uranium Shares

Luckhurst & Co., Inc. of New York City, are offering 232,000 shares of Atomic Uranium Corp. common stock at $1.25 per share. The Atomic Uranium Corp. is the assignee of approximately 90 mining claims located in the Colorado Front Range area in Colorado. Certain of these claims are nearby the Wood claims upon which a uranium strike, apparently of importance, was recently reported by the local press of Denver, Colo.

William L. Burton to Admit T. T. Madsen

T. Thomas Madsen will become a partner in William L. Burton & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

Bacon, Whipple Co. Admits J. D. Ames

CHICAGO, Ill.—John D. Ames has been admitted to partnership in Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Vilas-Hickey Absorb Gilbert Postley Co.

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, announce that they have absorbed the over-the-counter trading business of Gilbert J. Postley & Co. and that John O. Werkmeister, Jr., and Harry Fadem are now associated with them.

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What About Picketing?

free speech. It is, I grant, under many circumstances somewhat more than that, but it is a legitimate part of the right to strike unless and until pickets use physical violence or by their numbers and conduct create great public inconvenience.

Now that the union movement is strong there may be some justification for certain limitations on picketing that did not exist when it was weak and fighting hard to establish itself. I think those limitations will have to be developed in the light of experience, not so much deduced from theory as based on the observed facts in specific cases of social conflict.

HON. OMAR BURLESON
U. S. Congressman from Texas


Hon. Omar Burleson

It is my feeling that picketing is a form of coercion inconsistent with the freedoms about which much is written and spoken.

HON. PAUL B. DAGUE
U. S. Congressman from Pennsylvania

On the subject of picketing, I believe very strongly that labor should not be denied this means of emphasizing its grievances and of furthering its protests.


Hon. Paul B. Dague

On the other hand, when picketing is coupled with violence and undertakes by forcible means to restrain workers from entering a plant then it becomes completely un-American, and should be placed under restraints.

HON. CLAIR ENGLE
U. S. Congressman from California

I do not believe the assertion that picketing infringes on property rights and civil liberties can any longer be argued because the Supreme Court has specifically held that peaceful picketing does not infringe on property rights or civil liberties, and in fact is an exercise of the Constitutional guarantee of freedom of speech. The supporters of peaceful picketing do not have to argue that it is an essential component of the strike weapon in order to sustain it, although it undeniably is, because peaceful picketing carried out in such a manner as not to constitute intimidation is in fact an exercise of Constitutionally guaranteed freedom of speech. An American ought to be able to stand up on a street corner or outside of a plant and say what he thinks, and I hope we never come to a place in this country where that cannot be done.


Clair Engle

E. ASBURY DAVIS
President, United States Fidelity and Guaranty Company, Baltimore 3, Maryland

I fully agree that any man or group of men should have the privilege of striking, but they should not have the right to prevent anyone from working who should desire to work, and I am therefore very definitely opposed to the practice of picketing under the Taft-Hartley Act.

JAMES E. ALLISON
President, Warren Petroleum Corporation, Tulsa 2, Okla.

I believe peaceful picketing is an inherent and appropriate part of the right to strike. I believe the right to strike in proper cases should be protected by law.


James E. Allison

I believe that mass picketing, violence, threats or intimidation constitute mob violence, are destructive of any form of organized government, and really effective penalties should be imposed upon any of these practices.

D. C. EVEREST
Chairman of the Board, Marathon Corp., Rothschild, Wis.

I doubt very much whether it will ever be possible to make the practice of picketing illegal, as applied to manufacturing and sales distribution. I do think, however, that some way should be found to do away with interruptions in the operation of all public utilities, including transportation and communications, electric power and lighting, and any other phase of service which affects such a tremendous number of people when these strikes occur. I do not believe that a few highly specialized employees, for instance, should be able to strike and cut off the water supply of a city the size of New York. Some means should be found to settle such strikes without forcing undue hardship on such a tremendous number of people and causing thousands of people to be thrown out of employment.


D. C. Everest

Of course, the "right to strike" is an entirely different matter than the "right to picket," but I think it is far more important to find a way to avoid strikes in these public service organizations than it is to eliminate picketing. If we are to have "peaceful picketing," then I think that should be well defined and any violations should carry with it substantial penalties.

I doubt if this letter will be of much use to your symposium as I am under the impression that it would be impossible to eliminate picketing of industrial concerns as the practice has been too well established over a considerable period of years and would stir up so much opposition that amending the Taft-Hartley Act might result in its complete elimination.

H. M STEIN
President, Davega Stores Corp., New York

In my opinion it would be unwise and probably unconstitutional to legislate so as to make the practice of picketing illegal. But I believe it is necessary to regulate picketing so as to prevent abuses and interference by the pickets with the liberties of others. Strikers should be permitted peaceful picketing, as they have a right to seek public support on a voluntary basis. It ought, however, to be illegal to have mass picketing which prevents employees who wish to continue at work from entering the premises, or customers or others who wish to do business with the establishment being struck from reaching the factory, office or store against which the strike is being conducted. Too frequently, mass picketing is accompanied by force or violence, by abuse and threats.


H. M. Stein

Very likely there are sufficient laws on the statute books now, but certainly there is not adequate enforcement, nor is there courage on the part of officeholders, always looking to the next election, to enforce laws now on the books.

We have seen repeatedly pickets that practically blockade the establishment struck, threaten fellow-employees with violence, abuse and attempt to intimidate prospective customers, while police are nearby, seeing nothing and hearing nothing.

I have indicated above the kind of legislation I favor, if additional laws are needed, but above everything we need officials who will enforce the law. The right of free speech and assembly includes the right to picket, but it does not and should not authorize the picket to interfere with the liberty of others to remain at work or to go peacefully about their affairs, even if they are not in sympathy with the strike.

HARRY A. BULLIS
Chairman of the Board, General Mills, Inc., Minneapolis 1, Minn.

In my opinion unions should not be deprived of the right of peaceful picketing. Peaceful picketing permits the unions to bring their cause to the attention of the public and I believe this is proper. Orderly picketing is an essential part of the employees' right to strike and to tell people why they are on strike.


Harry A. Bullis

On the other hand, I believe mass picketing is an infringement of property rights because it seeks to deprive others of their right to enter the property for any legitimate purpose and challenges the rights of others to work in the picketing area. Furthermore, I believe that mass picketing weakens the case of the union because it substitutes coercion for reason.

ALFRED EPSTEIN
President, Pfeiffer Brewing Co., Detroit, Mich.

Briefly, I feel that picketing can be viewed in two different ways:

No. 1—If picketing itself—by its very existence—is a device which encourages members of other locals, which have no grievance with the company struck against, to not cross the picket line, then—of course—such an action is tantamount to a secondary boycott and is in violation of the Taft-Hartley law. Therefore, one position could be that those other locals which fail to cross the picket line—and thus exhibit a sympathy to the pickets—should be prosecuted under the Taft-Hartley law because they are enacting a secondary boycott, while their labor contract is in force.


Alfred Epstein

No. 2—On the other hand, I feel that another position could be taken and that is this: When a local goes on strike it does so obviously because it feels that such an action is a sanction taken against the company, which gives that — or any other local — its power to protect the rights of the rank and file.

Therefore, the right to strike is essential to the well-being and independence of all unions and locals. However, what purpose does the picket line serve? Does it — in any way — above and beyond the simple right to strike—strengthen the position of the local toward the company? I don't think so!

The only purpose for striking is for the union to try and bring the company in line. Therefore, it would seem the only purpose for picketing would be to encourage the sympathy of other locals and thus to contribute to the tendency so long practiced by labor to, in effect, bring about a secondary boycott.

Therefore, after analyzing these two positions, it is my conclusion that in the face of labor custom, it might be — from a practical viewpoint—more effective to control and neutralize picketing rather than to abolish it!

Therefore, it is my belief that the first course be taken and those who respect the pickets — rather than the pickets themselves —be penalized.

In the last analysis, such a position would not be absolutely new but would be more specific than the Taft-Hartley law is on this particular problem.

HERBERT J. YATES
President, Republic Productions, Inc., North Hollywood, Calif.

I have always felt that during strikes picketing infringes on property rights and civil liberties. Furthermore, during the two strikes we had in the motion picture industry a few years ago, my conclusion after the strikes were settled was that the pickets were not benefited, nor were the studios; in fact, much of the loyalty we had from our employees who were on strike was lost. Of course, this particular jurisdictional fight was an attempt to gain power by several unions.


Herbert J. Yates

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)	June 7	§100.3	*100.3	100.2	38.7
Equivalent to—					
Steel ingots and castings (net tons)	June 7	$2,262,000	*2,262,000	2,259,000	804,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 23	6,355,950	6,359,200	6,278,300	
Crude runs to stills—daily average (bbls.)	May 23	¶6,983,000	6,884,000	6,827,000	
Gasoline output (bbls.)	May 23	23,143,000	22,960,000	23,159,000	
Kerosene output (bbls.)	May 23	2,296,000	2,615,000	2,665,000	
Distillate fuel oil output (bbls.)	May 23	9,840,000	9,244,000	9,666,000	Not
Residual fuel oil output (bbls.)	May 23	8,448,000	8,666,000	8,859,000	Available
Stocks at refineries, bulk terminals, in transit, in pipe lines—					(strike)
Finished and unfinished gasoline (bbls.) at	May 23	153,923,000	155,415,000	157,990,000	
Kerosene (bbls.) at	May 23	22,540,000	21,360,000	19,433,000	
Distillate fuel oil (bbls.) at	May 23	67,052,000	64,941,000	60,343,000	
Residual fuel oil (bbls.) at	May 23	40,629,000	40,258,000	39,034,000	
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 23	769,618	779,805	779,804	761,705
Revenue freight received from connections (no. of cars)	May 23	657,494	665,661	675,261	636,467
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 28	$291,296,000	$257,642,000	$373,113,000	$307,813,000
Private construction	May 28	153,844,000	155,167,000	185,125,000	133,465,000
Public construction	May 28	137,452,000	102,475,000	187,988,000	174,348,000
State and municipal	May 28	97,269,000	88,324,000	162,392,000	120,186,000
Federal	May 28	40,183,000	14,151,000	25,596,000	54,162,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 23	8,750,000	9,125,000	9,000,000	8,871,000
Pennsylvania anthracite (tons)	May 23	687,000	614,000	511,000	786,000
Beehive coke (tons)	May 23	139,300	*120,000	121,100	111,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 23	113	*104	105	105
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 30	‡7,960,693	8,012,902	7,938,823	6,810,727
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 28	168	156	169	136
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 26	4.417c	4.390c	4.376c	4.131c
Pig iron (per gross ton)	May 26	$55.26	$55.26	$55.26	$52.77
Scrap steel (per gross ton)	May 26	$38.67	$38.17	$39.33	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 27	29.675c	29.700c	29.700c	24.200c
Export refinery at	May 27	29.725c	29.600c	30.350c	27.425c
Straits tin (New York) at	May 27	97.000c	99.000c	94.000c	121.500c
Lead (New York) at	May 27	13.250c	13.000c	12.000c	15.000c
Lead (St. Louis) at	May 27	13.050c	12.800c	11.800c	14.800c
Zinc (East St. Louis) at	May 27	11.000c	11.000c	11.000c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 2	90.65	91.79	92.55	98.56
Average corporate	June 2	102.96	103.47	104.31	110.15
Aaa	June 2	106.39	106.92	107.44	114.46
Aa	June 2	105.17	105.34	106.21	112.75
A	June 2	101.80	102.30	103.64	109.42
Baa	June 2	98.88	99.36	100.00	104.31
Railroad Group	June 2	101.31	101.64	102.80	107.44
Public Utilities Group	June 2	102.46	102.63	103.64	109.60
Industrials Group	June 2	105.17	105.86	106.56	113.50
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 2	3.19	3.10	3.04	2.60
Average corporate	June 2	3.57	3.54	3.49	3.16
Aaa	June 2	3.37	3.34	3.31	2.93
Aa	June 2	3.44	3.43	3.38	3.02
A	June 2	3.64	3.61	3.53	3.20
Baa	June 2	3.82	3.79	3.75	3.49
Railroad Group	June 2	3.67	3.65	3.58	3.31
Public Utilities Group	June 2	3.60	3.59	3.53	3.19
Industrials Group	June 2	3.44	3.40	3.36	2.98
MOODY'S COMMODITY INDEX	June 2	419.3	416.4	417.3	433.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 23	203,693	204.133	184.365	165.162
Production (tons)	May 23	249,134	251,473	245,157	205,632
Percentage of activity	May 23	96	96	95	83
Unfilled orders (tons) at end of period	May 23	483,436	529,536	454,897	360,887
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	May 29	106.24	106.52	106.60	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 16	21,775	26,428	26,849	23,084
Number of shares	May 16	630,331	746,831	752,077	631,418
Dollar value	May 16	$28,504,790	$33,993,771	$32,580,065	$27,801,830
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 16	21,485	21,544	24,910	20,185
Customers' short sales	May 16	173	123	238	94
Customers' other sales	May 16	21,312	21,421	24,672	20,091
Number of shares—Total sales	May 16	584,635	593,701	699,451	536,288
Customers' short sales	May 16	7,849	4,700	10,682	3,623
Customers' other sales	May 16	576,786	589,001	688,769	532,665
Dollar value	May 16	$23,289,207	$23,865,896	$27,679,814	$22,200,684
Round-lot sales by dealers—					
Number of shares—Total sales	May 16	179,530	180,790	208,640	163,080
Short sales	May 16	------	------	------	------
Other sales	May 16	179,530	180,790	208,640	163,080
Round-lot purchases by dealers—					
Number of shares	May 16	242,180	315,680	258,050	246,420
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 9	297,810	353,110	347,920	216,040
Other sales	May 9	6,268,720	6,461,170	10,663,640	5,670,510
Total sales	May 9	6,566,530	6,814,280	11,011,560	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 9	623,730	710,330	1,159,190	620,610
Short sales	May 9	154,020	146,590	163,040	121,150
Other sales	May 9	618,170	576,630	963,710	456,690
Total sales	May 9	772,190	723,220	1,126,750	577,840
Other transactions initiated on the floor—					
Total purchases	May 9	162,600	149,060	328,500	134,100
Short sales	May 9	22,000	20,900	22,500	11,600
Other sales	May 9	166,300	159,920	354,150	150,500
Total sales	May 9	188,300	180,820	376,650	162,100
Other transactions initiated off the floor—					
Total purchases	May 9	222,862	271,420	349,335	228,605
Short sales	May 9	59,960	82,560	47,390	38,390
Other sales	May 9	314,470	321,531	386,065	310,126
Total sales	May 9	374,430	404,091	433,455	348,516
Total round-lot transactions for account of members—					
Total purchases	May 9	1,009,192	1,130,810	1,837,026	983,315
Short sales	May 9	235,980	250,050	232,930	171,140
Other sales	May 9	1,098,940	1,058,081	1,703,925	917,316
Total sales	May 9	1,334,920	1,308,131	1,936,855	1,088,456
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	May 26	109.8	109.9	110.0	112.0
Farm products	May 26	97.3	98.2	99.3	109.6
Processed foods	May 26	104.8	*104.5	105.3	109.1
Meats	May 26	94.3	93.0	94.7	114.9
All commodities other than farm and foods	May 26	113.4	113.6	113.3	113.1

*Revised figure. ¶Includes 665,000 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. ‡Preliminary figure.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of March:			
Total domestic production (barrels of 42 gallons each)	222,699,000	202,169,000	216,752,000
Domestic crude oil output (barrels)	202,458,000	183,736,000	198,028,000
Natural gasoline output (barrels)	20,202,000	18,408,000	18,709,000
Benzol output (barrels)	39,000	25,000	15,000
Crude oil imports (barrels)	20,320,000	16,400,000	15,817,000
Refined products imports (barrels)	14,156,000	13,455,000	13,534,000
Indicated consumption domestic and export (barrels)	255,565,000	240,042,000	238,409,000
Increase all stocks (barrels)	1,610,000	‡8,018,000	7,694,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of April:			
New England	$21,111,893	$22,326,400	$34,698,291
Middle Atlantic	96,869,051	79,820,352	89,934,949
South Atlantic	56,063,620	40,081,079	40,096,944
East Central	131,953,233	89,989,389	78,883,606
South Central	89,811,374	74,761,195	69,327,616
West Central	40,631,732	26,885,750	23,473,164
Mountain	16,933,654	16,186,678	14,389,885
Pacific	78,549,857	118,082,185	64,662,004
Total United States	$529,974,414	$468,133,028	$415,466,459
New York City	50,678,096	42,546,378	53,123,323
Outside New York City	479,296,318	425,586,650	362,343,136
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of April:			
Manufacturing number	140	154	171
Wholesale number	75	76	83
Retail number	344	361	375
Construction number	86	85	93
Commercial service number	48	63	58
Total number	693	739	780
Manufacturing liabilities	$10,585,000	$12,213,000	$12,633,000
Wholesale liabilities	2,925,000	3,553,000	4,250,000
Retail liabilities	8,497,000	10,423,000	7,050,000
Construction liabilities	3,748,000	3,506,000	3,853,000
Commercial service liabilities	1,765,000	1,387,000	1,744,000
Total liabilities	$27,520,000	$31,082,000	$29,530,000
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed month of April	905,071	772,176	848,055
In consuming establishments as of May 2	1,865,090	1,940,751	1,574,318
In public storage as of May 2	5,534,848	6,402,108	3,038,791
Linters—Consumed month of April	127,884	137,086	99,762
Stocks May 2	1,175,414	1,173,976	641,414
Cotton spindles active as of May 2	19,926,000	20,221,000	19,626,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on May 2	22,893,000	22,958,000	23,163,000
Spinning spindles active on May 2	19,926,000	20,221,000	19,613,000
Active spindle hours (000's omitted) May 2	11,608,000	9,365,000	9,948,000
Active spindle hours per spindle in place Apr.	4.70.5	481.7	424.3
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of April:			
Contracts closed (tonnage)—estimated	305,842	258,482	209,106
Shipments (tonnage)—estimated	259,675	266,337	230,670
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of April:			
Weekly earnings—			
All manufacturing	$71.40	*$71.93	$65.67
Durable goods	77.75	*77.52	70.99
Nondurable goods	62.65	*63.60	58.75
Hours—			
All manufacturing	40.8	*41.1	39.8
Durable goods	41.8	*41.9	40.8
Nondurable goods	39.4	*40.0	38.4
Hourly earnings—			
All manufacturing	$1.75	$1.75	$1.65
Durable goods	1.86	1.85	1.74
Nondurable goods	1.59	1.59	1.53
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSN.)—Month of April:			
Total number of vehicles	723,566	700,685	529,585
Number of passenger cars	596,633	566,320	415,357
Number of motor trucks	126,788	134,129	113,631
Number of motor coaches	145	236	597
NEW YORK STOCK EXCHANGE—As of April 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debt balances	$1,594,377	$1,513,425	$1,314,867
Credit extended to customers	25,250	27,878	38,223
Cash on hand and in banks in U. S.	308,816	314,423	360,840
Total of customers' free credit balances	737,841	744,360	755,627
Market value of listed shares	114,861,878	118,222,952	107,847,909
Market value of listed bonds	98,561,619	99,535,255	97,354,991
Member borrowings on U. S. Govt. issues	57,753	39,380	103,504
Member borrowings on other collateral	1,158,672	1,046,648	851,588
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of March (in billions):			
Total personal income	$282.5	*$280.9	$261.9
Wage and salary receipts, total	193.2	*191.8	177.3
Total employer disbursement	189.6	*188.2	173.9
Commodity producing industries	87.1	*86.2	77.7
Distributing industries	50.4	50.3	47.0
Service industries	22.5	*22.2	20.8
Government	33.2	*33.1	31.8
Less employee contributions for social insurance	3.9	3.8	3.8
Other labor income	4.7	4.7	4.8
Proprietors and rental income	53.0	*53.3	50.7
Personal interest income and dividends	21.7	21.5	21.0
Total transfer payments	13.8	13.4	12.4
Total nonagricultural income	262.8	*261.1	242.7
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1941 = 100—As of March 15.			
Unadjusted—			
All farm products	264	263	288
Crops	253	247	265
Food grain	246	240	251
Feed grain and hay	208	206	229
Tobacco	424	424	435
Cotton	266	255	309
Fruit	215	209	176
Truck crops	248	237	265
Oil-bearing crops	291	287	284
Livestock and products	274	277	310
Meat animals	301	305	372
Dairy products	277	286	305
Poultry and eggs	216	206	177

*Revised. ‡Decrease, all stocks.

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.

★ **Allied Wheel Products, Inc., Toledo, Ohio**
June 2 (letter of notification) 869 shares of common stock (no par) to be offered for subscription by common stockholders at rate of three new shares for each four shares held. **Price**—$75 per share. **Proceeds**—For working capital. **Office**—27 Broadway, Toledo, O. **Underwriter**—None.

● **American Automobile Insurance Co.**
May 13 filed 125,000 shares of capital stock (par $4) being offered for subscription by stockholders of record June 2 on the basis of one new share for each four shares held; rights to expire June 17. **Price** — $40 per share. **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 Petroleum Exploration Co., Tulsa, Okla.**
June 1 (letter of notification) 30,000 shares of preferred stock. **Price**—$10 per share. **Proceeds**—For operating capital. **Office** — c/o Jack George, 215 West Fairview, Tulsa, Okla. **Underwriter**—None.

Applied Science Corp. of Princeton (6/11)
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.

Arcturus Electronics, Inc., Newark, N. J.
March 27 (letter of notification) 40,000 shares of class A common stock (par 1 cent). **Price** — 50 cents per share. **Proceeds** — To Delbert E. Reploge, President. **Underwriter**—Gearhart & Otis, Inc., New York.

● **Arkansas Fuel Oil Corp., Shreveport, La.**
May 1 filed $22,520,000 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**—No bids received on June 2; subsequently directors decided to borrow $23,000,000 from banks.

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 11 a.m. (EDT) on June 10 at Two Rector Street, 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.

● **Athabasca Uranium Mines, Ltd. (6/8-9)**
April 17 filed 500,000 shares of common stock (par 10 cents). Formerly known as American-Canadian Uranium Co., Ltd. **Price** — $1.25 per share. **Proceeds** — For engineering, development and mining expenses. **Underwriter**—George D. Clarke, Ltd., 50 Broad Street, New York.

● **Aviation Equipment Corp. (6/5)**
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.

★ **Bergen Daily Bulletin, Inc.**
May 21 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—To buy equipment and for working capital. **Office** — Palisades Park, N. J. **Underwriter**—McLaughlin, Reuss & Co., New York.

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NEW ISSUE CALENDAR

June 5, 1953
Aviation Equipment Corp. — Debs. & Stock
(Union Securities Corp.)
Brandywine Raceway Association, Inc. — Debs. & Stock
(Laird Securities Co., Inc.; Laird, Bissell & Meeds; and Harrison & Co.) $1,920,000

June 8, 1953
Athabasca Uranium Mines, Ltd. — Common
(George D. Clarke, Ltd.) $625,000
Beryllium Corp. — Common
(Offering to stockholders—underwritten by Francis I. duPont & Co.) 88,385 shares
Edgar Brothers Co. — Common
(Offering to stockholders—underwritten by D. A. Lomasney & Co. and Courts & Co.) 100,000 shares
Heat-O-Matic, Inc. — Common
(Offering to stockholders—no underwriting)
Mutual Telephone Co. (Honolulu) — Common
(Offering to stockholders—no underwriting) 200,000 shares
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
Lamson & Sessions Co. — Common
(Ball, Burge & Kraus) 7,350 shares
Manufacturers National Bank of Detroit — Common
(Watling, Lerchen & Co. and First of Michigan Corp.) $3,000,000
Nagler Helicopter Co., Inc. — Common
(John R. Boland) $299,000
New Jersey Power & Light Co. — Bonds
(Bids 11 a.m. EDT) $5,500,000
Northern Natural Gas Co. — Debentures
(Bids 10 a.m. CDT) $40,000,000
San Diego Gas & Electric Co. — Common
(Offering to stockholders—Blyth & Co., Inc.) 800,000 shares

June 10, 1953
Arkansas Power & Light Co. — Bonds
(Bids 11 a.m. EDT) $18,000,000
Chesapeake & Ohio Ry. — Equip. Trust Ctfs.
(Bids noon EDT) $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
Pittston Co. — Preferred
(Offering to stockholders—no underwriting)
Westerly Automatic Telephone Co. — Common
(Offering to stockholders—no underwriting) $233,325

June 11, 1953
Applied Science Corp. — Notes & Stock
(C. K. Pistell & Co., Inc.) $767,500
General Motors Acceptance Corp. — Debentures
(Morgan Stanley & Co.) $150,000,000
Johnston Oil & Gas Co. — Common
(Allen & Co.) 500,000 shares

June 15, 1953
KLB Oil Corp. — Common
(Aetna Securities Corp.) $300,000
Michigan Consolidated Gas Co. — Bonds
(Bids 10:30 a.m. EST) $20,000,000
Washington Gas Light Co. — Bonds
(Bids 11:30 a.m. EDT) $7,000,000

June 16, 1953
Bangor Hydro-Electric Co. — Common
(Offering to stockholders—underwritten by Smith, Barney & Co.) 45,254 shares
Maryland Casualty Co. — Common
(Merrill Lynch, Pierce, Fenner & Beane) 217,000 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 18, 1953
Chicago, St. Paul, Minneapolis & Omaha Ry. — Equip. Trust Ctfs.
(Bids noon CDT) $1,170,000
U. S. Airlines, Inc. — Common
(Gearhart & Otis, Inc.) 1,000,000 shares

June 19, 1953
Erie Resistor Corp. — Preferred
(Fulton, Reid & Co.) $1,250,000

June 22, 1953
Robertshaw-Fulton Controls Co. — Preferred
(Reynolds & Co.) $4,000,000
Rogers Corp. — Class B
(Offering to stockholders—no underwriting)

June 23, 1953
Gulf States Utilities Co. — Common
(Bids 11 a.m. (EDT) 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
York County Gas Co. — Common
(Offering to stockholders—no underwriting) $240,000

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
Seeck & Kade, Inc. — Pfd. & Common
(Bids 3 p.m. EDT)

July 8, 1953
Commonwealth Edison Co. — Bonds
(Bids to be invited) $40,000,000

Aug. 3, 1953
Denver & Rio Grande Western RR. — Eqp. Tr. Ctfs.
(Bids to be invited)

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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 (with an oversubscription privilege); rights to 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., New York.

★ **Betty Mining Corp., Morgantown, W. Va.**
June 1 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—60 cents per share. **Proceeds**—For working capital. **Office** — 1435 University Ave., Morgantown, W. Va. **Underwriter**—None.

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.

★ **Blaze-Master, Inc.**
May 25 (letter of notification) 50,000 shares of class A stock. **Price** — At par ($1 per share). **Proceeds** — For equipment and expansion and raw materials. **Office**—222 Flint Bldg., Auburn, N. Y. **Business**—Manufactures and distributes portable fire escapes, fire alarm and other safety devices. **Underwriter**—None.

★ **Bradco, Inc.**
May 25 (letter of notification) 100,000 shares of common stock (par 1 cent). **Price**—50 cents per share. **Business**—Manufacturer of special lubricating grease. **Underwriters**—Applied Science Corp. of Princeton (Baltimore, Md.) and C. K. Pistell & Co., Inc., Jersey City, N. J.

● **Brandywine Raceway Association, Inc., Wilmington, Del. (6/5)**
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.

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.

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.

★ **Cedar Island Citizens Cooperative Association**
May 29 (letter of notification) 400 shares of common stock. **Price**—$10 per share. **Proceeds**—For promotion of real estate located at Cedar Island, Va. **Office**—410 Washington Bldg., Washington, D. 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 of record May 1 at rate of one new share for each ten now held; rights to expire on June 15. **Price** — $11 per share. **Proceeds** — For working capital. **Office**—Hartford Road, Manchester, Conn. **Business**—Manufactures and sells textiles. **Underwriter**—None.

★ **Cheyenne Oil Ventures, Inc., Denver, Colo.**
June 1 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—24 cents per share. **Proceeds**—For working capital. **Office**—702-4 Ernest & Cranmer Bldg., Denver 2, Colo. **Underwriter**—Tellier & Co., New York.

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.

★ **Chlorophyll Chemical Corp., New York**
May 28 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To repay $30,000 note to Godfrey L. Cabot Co. and for payment of other obligations and working capital. **Business**—Manufacture and sale of chlorophyll and chlorophyll derivatives to the pharmaceutical, drug, cosmetic, and food processing trades. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md. and New York, N. Y.

● **C.I.T. Financial Corp., New York**
May 15 filed $50,000,000 of debentures due June 1, 1967. **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. **Offering**—Temporarily postponed.

★ **Citizens Casualty Co. of New York**
May 29 (letter of notification) 8,000 shares of $1.50 dividend preferred stock. **Price**—At par ($25 per share) to be offered first to stockholders at rate of one share for each 32 shares of stock held. **Proceeds**—To purchase 31,500 additional shares of common stock of Arex Indemnity Co. at $6 per share. **Office**—116 John St., New York 38, N. Y. **Underwriter**—None.

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**—To be received up to 11:30 a.m. (EDT) on June 9 at company's office in Baltimore, Md.

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.

★ **Corpus Christi Refining Co. (Texas)**
June 2 filed 970,000 shares of common stock (par 10 cents), of which 820,000 shares are to be offered to the public. **Price**—$1.50 per share. **Proceeds**—For working capital, etc. **Underwriter**—Vickers Brothers, New York. Latter will receive warrants to purchase the remaining 150,000 common shares.

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., Safety Bldg., Rock Island, Ill.

● **Edgar Brothers Co., Metuchen, N. J. (6/8-9)**
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 79,000 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; and Courts & Co., New York and Atlanta, Ga.

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.

★ **Erie Resistor Corp., Erie, Pa. (6/19)**
May 29 filed 62,500 shares of convertible preferred stock. **Price**—At par ($20 per share). **Proceeds**—To purchase machinery and equipment and for working capital. **Underwriter**—Fulton, Reid & Co., Cleveland, O.

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. Letter has been withdrawn.

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.

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 Industries Fund, Inc., Boston, Mass.**
May 27 filed 500,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

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 June 29.

● **General Dynamics Corp.**
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. **Offering**—Temporarily postponed.

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. (6/5)**
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**—$23.50 per share. **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 23, 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)
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**—To be received up to 11 a.m. (EDT) on June 9 at office of Southern Services, Inc., 20 Pine St., New York 5, N. Y.

● **Gulf States Utilities Co. (6/23)**
May 20 filed 350,000 shares of common stock (no par) (to be amended upon the acceptance of a bid for the lowest number of whole shares as will yield $6,000,000). **Proceeds**—To retire bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. **Bids**—To be received up to 11 a.m. (EDT) on June 23 at Chase National Bank, 11 Broad St., New York, N. Y.

★ **Hartford Special Machinery Co.**
June 1 (letter of notification) 7,500 shares of common stock to be offered for subscription by present stockholders. **Price**—At par ($20 per share). **Proceeds**—To purchase equipment and for working capital. **Office**—287 Homestead Ave., Hartford, Conn. **Underwriter** — None.

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.

★ **Humble Hill Gas & Oil Co., Inc. (Pa.)**
May 27 (letter of notification) 8,700 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For drilling expenses. **Address** — P. O. Box, 101, North Lansing Branch, Lansing, Mich. **Underwriter**—None.

★ **Hunter Creek Mining Co., Wallace, Idaho**
June 2 (letter of notification) 160,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For operating capital. **Office** — 509 Bank St., Wallace, Idaho. **Underwriter**—Mine Financing, Inc., Spokane, Wash.

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.

★ **Idarado Mining Co., Ouray, Colo.**
May 27 (letter of notification) 180,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital. **Address**—c/o John E. D. Grunow, New York City. **Underwriter**—None.

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 68,000 shares of common stock (no par) being offered for subscription by certain employees of company and its subsidiaries under Employees' Common Stock Subscription Plan of 1953. **Price**—$25 per share. **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.

★ **Iron Top Mine, Inc., Grass Valley, Calif.**
June 1 (letter of notification) 2,500 shares of common stock. **Price**—At par ($10 per share). **Proceeds** — For operating capital. **Address**—P. O. Box 33, Grass Valley, Calif. **Underwriter**—None.

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.

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.

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. (6/15)**
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.

★ **Lamson & Sessions Co., Kent, O. (6/9)**
May 20 (letter of notification) 7,350 shares of common stock (par $10). **Price**—At market. **Proceeds**—To certain selling stockholders. **Underwriter**—Ball, Burge & Kraus, Cleveland, O.

★ **Leeds & Northrup Co.**
May 29 trustees under the Deed of Trust for the Company's Stock Trust Shares filed 4,248 Employees' Trust Shares and 2,171 Participating Trust Shares.

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. (6/16)**
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 July 6. **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.

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. (EST) 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 (around 15 cents). **Proceeds**—To G. W. Snyder and G. S. Olmstead, the two selling stockholders. **Underwriter** — Greenfield & Co., Inc., New York.

★ **Miller Chemical & Fertilizer Corp.**
June 1 (letter of notification) $50,000 of 5% debenture notes, series of 1953. **Price**—At face value (in denominations of $100 and $1,000). **Proceeds**—For working capital. **Office** — 2226 North Howard St., Baltimore, Md. **Underwriter**—None.

★ **Mineral Exploration & Production, Inc., Boise, Idaho**
May 29 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expansion. **Address**—Box 795, Boise, Ida. **Underwriter**—None.

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.

★ **Montgomery (William) Co. (Pa.)**
May 28 (letter of notification) 25,000 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—999 No. Second St., Philadelphia 23, Pa. **Business**—Wholesale distribution of food. **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.

★ **Nagler Helicopter Co., Inc. (N. Y. (6/9)**
May 26 (letter of notification) 299,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—130 West 42nd St., New York. **Underwriter**—John R. Boland, New York.

National Credit Card, Inc., Portland, Ore.
May 11 (letter of notification) 1,400 shares of 6% non-cumulative 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 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 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**—To be received by company up to 11 a.m. (EDT) on June 23. **Stock Offering**—Company also plans

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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.

★ **North Pittsburgh Telephone Co.**
June 1 (letter of notification) 2,000 shares of common stock to be offered for subscription by common stockholders of record June 1 at rate of one new share for each four shares held. **Price**—At par ($25 per share). **Proceeds** — For equipment. **Office** — Saxonburg, Butler County, Pa. **Underwriter**—None.

● **Northern Natural Gas Co. (6/9)**
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**—To be received up to 10 a.m. (CDT) on June 9.

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.

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 Electric Co. (6/30)**
May 28 filed $12,500,000 of first mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive biddding. 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.

● **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) being offered in exchange for all the outstanding stock of Scranton Electric Co. Offer expires June 22. **Underwriter**—None. Statement effective May 22.

★ **Pennsylvania & Southern Gas Co.**
June 1 (letter of notification) 98,240 shares of common stock (par 25 cents) to be first offered for subscription by common stockholders of record June 1 at rate of one new share for each shares held (with an oversubscription privilege), with rights to expire on July 15; and then to preferred stockholders. **Price**—$1.50 per share. **Proceeds**—To retire $65,000 short-term debt and for working capital. **Office**—111 Quimby St., Westfield, N. J. **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.
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 (6/10)**
May 20 filed 50,000 shares of 5½% convertible preferred stock to be offered for subscription by common stockholders of record June 10 on the basis of one preferred share for each 13 shares of common stock held (with an oversubscription privilege); rights to expire 20 days from date of issuance. **Price**—At par ($100 per share.) **Proceeds** — For working capital. **Business** — Natural gas. **Undewriter**—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 Service Co. of Indiana, Inc.**
May 13 filed 472,301 shares of common stock (no par), being offered for subscription by common stockholders of record June 2 on a 1-for-8 basis; rights to expire on June 17. **Price**—$31.50 per share. **Proceeds**—For construction costs. **Underwriters**—Blyth & Co., Inc., New York and San Francisco.

★ **Quinby & Co., Inc., Rochester, N. Y.**
May 27 filed $1,500,000 of Planned Investments in the Quinby Plan for Accumulation of Common stock of E. I. du Pont de Nemours & Co., Inc.

Resort Airlines, Inc., Miami, Fla.
March 6 (letter of notification) 724,687 shares of common stock (par 10 cents) to be offered for subscription by stockholders on a pro rata basis. **Price**—20 cents per share. **Proceeds**—For working capital. **Address**—Box 242, International Airport, Miami 48, Fla. **Underwriter**—None.

★ **Ridley Mines Holding Co., Grafton, N. D.**
June 1 filed 120,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds** — For working capital. **Underwriter**—None.

★ **Robertshaw-Fulton Controls Co. (6/22)**
May 29 filed 160,000 shares of cumulative convertible preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Reynolds & Co., New York.

★ **Roche Development Co., Phoenix, Ariz.**
June 2 (letter of notification) 250,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Office**—5028 No. Central Ave., Phoenix, Ariz. **Underwriter**—None.

● **Rochester Gas & Electric Corp.**
May 8 filed 175,000 shares of common stock (no par) being 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** $36.25 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., 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.

★ **S. & J. Copper Mines, Inc., Las Vegas, Nev.**
May 29 (letter of notification) 1,000,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For equipment and working capital. **Office**—114 North Third St., Las Vegas, Nev. **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 (with rights to expire July 2); 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.

★ **Scillitoe (Edgar L.), Inc. (N. Y.)**
May 25 (letter of notification) 298,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To acquire plant, machinery and equipment; and for working capital. **Office**—10-15 Spruce St., New York. **Business** — Manufacturer of electronic and electro-mechanical devices. **Underwriter** — Nielsen & Co., New York, N. Y.

★ **Sedgwick Corp. (N. Y.)**
May 29 (letter of notification) 2,915¾ shares of preferred stock (par $100) and 8,875 shares of common stock (no par), including 915¾ preferred and 3,375 common shares reoffered to stockholders who had acquired these shares between May 1, 1952 and Oct. 31, 1952. **Price**—For preferred at par and for common $1 per share. **Proceeds**—For working capital. **Office**—350 Fifth Ave., New York, N. Y. **Underwriter**—None.

★ **Silver Mountain Mining Co., Inc.**
June 2 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds** — For operating capital. **Office** — 2403 So. Tacoma Way, Tacoma, Wash. **Underwriter**—None.

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.

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.

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.

● **Stylon Corp., Milford, Mass.**
May 22 (letter of notification) 32,043 shares of common stock. **Price**—At the market (around $1 per share). **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.

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.

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 Minerals Corp., Salt Lake City, Utah**
May 25 (letter of notification) 275,000 shares of common stock (par 10 cents). **Proceeds**—To George W. Snyder, Jr., President and director. **Underwriter**—Greenfield & Co., Inc., New York.

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.

★ **U. S. Airlines, Inc., New York (6/18)**
May 28 filed 1,000,000 shares of common stock (par 5 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter**—Gearhart & Otis, Inc., New York.

Vault Co. of America, Davenport, Iowa
March 2 (letter of notification) 10,000 shares of common stock. **Price** — $10 per share. **Proceeds** — For working capital. **Underwriter**—A. J. Boldt & Co., Davenport, Ia.

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 up to 11:30 a.m. (EDT) 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). **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—None, the parent to buy any unsubscribed shares.

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.

★ Westerly Automatic Telephone Co. (6/10)
June 1 (letter of notification) 9,333 shares of capital stock to be offered for subscription by stockholders of record June 10 at the rate of one new share for each three shares held. **Price**—At par ($25 per share). **Proceeds**—To repay debt and for general corporate purposes. **Office**—38 Main St., Westerly, R. I. **Underwriter**—None.

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.

★ Arizona Bancorporation, Phoenix, Ariz.
June 1 it was announced corporation plans to offer present stockholders the right to subscribe after July 15 for 100,000 additional shares of capital stock on the basis of one new share for each two shares held. **Price** — $10 per share.

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.
June 2 stockholders approved 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. **Offering**—Expected in July.

Central Power & Light Co.
March 2 it was reported company may issue and sell 50,000 shares of new preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler.

Central Hudson Gas & Electric Corp.
March 3 it was announced that some portion of the company's financing program for 1953-1954 will involve the sale of $16,550,000 new securities, a portion of which will involve common stock or debt securities convertible into common stock. Stockholders at the annual meeting March 24 voted to authorize an additional 1,000,000 shares of common stock. **Underwriters** — Kidder, Peabody & Co. and Estabrook & Co. handled offering in November, 1949, of $6,000,000 2% convertible debentures.

Central Illinois Public Service Co.
March 26 it was reported that the company may about mid-July sell about $6,000,000 additional common stock (first to common stockholders). **Underwriter**—The First Boston Corp., New York.

Central Louisiana Electric Co., Inc.
April 16 stockholders authorized a block of the authorized common stock for issuance and sale locally in the parishes in which the facilities of the company are located, such stock not to exceed $300,000 in aggregate market value. They also approved issuance of securities convertible into shares of any class of capital stock.

Central Maine Power Co.
Jan. 2 it was reported company plans sale later this year of $10,000,000 common stock (in addition to $10,000,000 of 1st & gen. mtge. bonds sold March 10, 1953), after distribution by New England Public Service Co. of its holdings of Central Maine Power Co. common stock. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc.

● Chesapeake & Ohio Ry. (6/10)
Bids will be received by the company up to noon (EDT) on June 10 for the purchase from it of $3,000,000 equipment trust certificates to mature semi-annually from Jan. 1, 1954 to July 1, 1968, inclusive. 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. (6/18)
Bids will be received by the company at 400 West Madison St., Chicago 6, Ill., up to noon (CDT) on June 18 for the purchase from it of $1,170,000 equipment trust certificates to mature annually on July 1 from 1954 to 1968, inclusive. 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.
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.

★ Consumers Power Co. (Mich.)
May 29 company applied to Michigan P. S. Commission for authority to issue and sell $25,000,000 of 30-year first mortgage bonds. **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and The First Boston Corp. (jointly); Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly).

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.

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.

★ Fort Worth National Bank, Fort Worth, Tex.
June 2 it was announced stockholders will vote June 16 on approving a proposal to split-up the present outstanding 300,000 shares of capital stock on a two-for-one basis, following which 100,000 additional shares will be offered for subscription by stockholders on a one-for-six basis. **Price**—$20 per share. **Underwriters**—Dallas Union Securities Co. and First Southwest Co., both of Dallas, Tex.

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★ General Foods Corp.
June 1 it was announced stockholders will on July 22 vote on increasing the authorized common stock from 6,000,000 to 15,000,000 shares. There are presently outstanding 5,590,000 shares. No stock split is planned at this time.

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 (Detroit)
June 1 it was announced bank plans to offer to its stockholders of record May 29 the right to subscribe on or before June 26 for 25,000 additional shares of capital stock (par $10) on the basis of one new share for each eight shares held. **Price**—$30 per share. **Proceeds**—To increase capital and surplus.

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.

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.

★ Manufacturers National Bank of Detroit (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** — Watling, Lerchen & Co. and First of Michigan Corp.

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).

★ Natural Gas & Oil Corp.
May 29 it was announced company plans to offer to common stockholders 450,000 additional shares of common stock on the basis of one new share for each four shares held. **Proceeds** — For new construction. **Underwriter**—None. Mississippi River Fuel Corp., which owns one-half of Natural Gas & Oil common stock, will subscribe to its share plus any unsubscribed shares. **Offering** — Expected early in July.

● New York, Chicago & St. Louis RR. (6/17)
Bids will be received by the company up to noon (EDT) on June 17 for the purchase from it of $3,150,000 equipment trust certificates to be dated July 15, 1953 and mature annually to and including July 15, 1968. Probable bidders: Halsey, Stuart & Co. Inc.; R. W. Pressprich & Co. Salomon Bros. & Hutzler.

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 8 company announced that, in addition to the proceeds from the current sale 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.

★ Seeck & Kade, Inc., New York (6/30)
June 2 the Attorney General of the United States announced that bids would be received up to 3 p.m. (EDT) on June 30 for the purchase from the Government of 500 shares of common stock (par $100) and 250 shares of preferred stock (par $100) at the Office of Alien Property, U. S. Court House, Room 115, Foley Square, New York 7, N. Y. Max Kade, President of the company, has agreed to submit a bid for the stock of $650,000.

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.

South Carolina Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing company to construct approximately 160 miles of pipeline at an estimated cost of $5,945,000. Securities may be sold privately through competitive sale.

South Georgia Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing the company to construct 335 miles of pipeline in Alabama, Georgia and Florida at an estimated cost of $8,141,518.

Southern California Edison Co.
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 indebtedness that the company may create, without consent of majority of the preferred stockholders shall be 20% (instead of 10%) of the aggregate of company's secured indebtedness and capital and surplus. Charles E. Ide, President, stated that the management has no present plans to issue new common shares. The First Boston Corp. and Collin, Norton & Co. handled latest common stock financing. Probable bidders on any bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Smith, Barney & Co.

United Gas Corp. (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 late in June

United Gas Corp.
May 1 it was announced company (in addition to abovementioned 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 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

Return of the Federal Reserve to the buying side of governments this week, even though it limited such purchases to short-term bills, was hailed in investment market circles.

Bankers by and large are in sympathy with the Administration's determination to call a halt on inflation fed by extremely easy money. But even so they thought the Treasury market was being allowed to put on a display of weakness that was not justified by the facts.

The market is described as "extremely thin" on both sides with relatively light offerings sufficient to unsettle prices in the absence of demand on the one hand. But, on the other, in order to pick up 25 bonds, it was noted, you might have to buy on the way up.

Investment interests were not concerned with the long-term outlook for governments, but rather were disturbed by the unsettling effect of the current decline on the markets in general.

This influence was plainly shown early in the week by the absence of bids for Arkansas Fuel Oil Co.'s $22,520,000 of debentures and by the appearance of only a single bid for Oklahoma Natural Gas Co.'s 223,463 shares of common stock.

Through it all the government bond crowd managed to retain some of its sense of humor. On Tuesday morning, after two days of sharp decline in prices, people entering the quotation room of one bond house found reason for a chuckle in the notation over the Treasury board reading "Skid Row."

Wait Better Market

Further evidence of the restraining influence of the government market's behavior developed when it became known that bankers sponsoring two large offerings, one a debenture and the other common stock, had decided to postpone these operations.

C. I. T. Financial Corp.'s offering of $50,000,000 of debentures, slated for yesterday, was set back to await more propitious market conditions.

And the same consideration obviously motivated bankers handling the projected offering of 250,000 shares of new common stock of General Dynamics Corp., which was slated for today. Proceeds here would be used to pay for 400,000 shares of Consolidated Vultee stock being acquired.

A Rough Road

When one considers what has happened in the high grade corporate market since late last year it is not difficult to understand the concern of people in the business.

Last November and December top grade corporate issues were coming to market on a 2⅞ to 3¼% basis, with corresponding issues on a 2.60 to 2.80% basis on the seasoned market.

Recently similar issues have been coming out on a 3.75 to 3.90% basis with their counterparts in the seasoned market averaging around a 3.50 to 3.65% return.

Good Calendar Ahead

Any change for the better in underlying market conditions should make for a busy week in underwritings in the period ahead. In addition to the two large offerings postponed this week, several large undertakings are on the roster for bids.

Northern Natural Gas has $40,000,000 of 20-year serial debentures up for bids on Tuesday. The same day Consolidated Gas, Electric Light & Power of Baltimore will open bids for $25,000,000 of 30-year first and refunding bonds with American Gas & Electric due to market 800,000 shares of common.

On Wednesday Arkansas Power & Light is slated to sell $18,000,000 of first mortgage 25-year bonds and two large "rights" offerings by New England Electric System and San Diego Gas & Electric.

Pacific Gas & Elec's Freed

The syndicate which brought out Pacific Gas & Electric Co.'s $65,000,000 of 4% bonds a fortnight ago, decided to turn the balance of that issue loose yesterday.

The bonds were brought out originally at a price of 101.78, moved slowly for a while, and then picked up in interest.

Only about $5,000,000 remained unsold when the syndicate dissolved with the price easing to 100¼ bid 100⅝ asked in free trading.

Two With Hamilton

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—E. Doris Evans and Llewellynn H. Finley are now with Hamilton Management Corp., 445 Grant Street.

Gruellemeyer Opens

Theodor H. Gruellemeyer is engaging in a securities business from offices at 246 East 46th St. Mr. Gruellemeyer was previously with Glidden, Morris & Co.

Mutual Funds Service

NORFOLK, Va.—Charles S. Peraino is engaging in a securities business under the firm name of Mutual Funds Service.

L. L. Davis Joins Shillinglaw Bolger

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Lambert L. Davis has become associated with Shillinglaw, Bolger & Co., 120 South La Salle Street. Mr. Davis was formerly with Chesley & Co. and in the past conducted his own investment business in Chicago.

Investors Planning Corp.

Investors Planning Corporation has been formed with offices at 60 East 42nd Street, New York City, to engage in the securities business. John Kalb is a principal of the firm.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Secretary George M. Humphrey's commitment against any future revival of the Excess Profits Tax by the Eisenhower Administration was as flat and as unqualified as any opponent of this tax would desire.

In his appearance before the House Ways and Means Committee on Monday, Secretary Humphrey declared positively that the Eisenhower Administration will not propose extension of EPT for any period beyond Dec. 31, when the tax would expire if extended. Furthermore, asserted the Secretary, if any further extension of EPT is nevertheless proposed, the Administration will oppose the extension.

Finally, said the Treasury Secretary, even if war and total mobilization comes, the Eisenhower Administration will not propose the EPT again. There are better ways of getting revenues, he said. As for "excess profits" on war contracts, renegotiation can skim these off, he declared.

Significantly, these unqualified commitments were made in response to questions from Rep. Jere Cooper of Tennessee, the ranking Democratic member of the Ways and Means Committee.

It is not known yet whether these forthright commitments may work out to help save the President's cause of a 6-months extension of EPT.

However, opposition to the 6-months extension has been grounded partly on two basic factors. Congress is used to Presidents proposing "temporary" taxes to meet an emergency, only to be told that the taxes, high taxes or bad taxes, must be continued beyond the temporary period because of an emergency that never comes to an end or always unforeseeable circumstances.

The other background factor was that, despite a commitment in favor of a drastic cut in Federal spending, made to Senator Taft, the Eisenhower Administration, due to past commitments and other factors, has found itself unable to drastically cut expenses.

In other words, many in Congress had their doubts that if EPT were continued for six months, that would be the end of this tax—until Mr. Humphrey appeared.

Humphrey Creates Good Impression

Secretary Humphrey, incidentally, created an almost universally favorable impression before the Ways and Means Committee, as he did before the Senate Finance Committee when he was heard on his nomination to be Secretary of the Treasury.

The thought occurred to some that if Mr. Humphrey could learn the meaning of a genuine liaison with Congress, as have other Treasury Secretaries, the path of the Eisenhower Administration on fiscal matters might be considerably easier. Mr. Humphrey appears to Congress, however, to have strictly a legalistic idea of the duties of a member of the Cabinet, i.e., he seems to regard himself as an army commander who could be removed by the President for the slightest public difference of opinion with his Commander-in-Chief. Actually, Treasury Secretaries are supposed traditionally to play a major role in initiating fiscal policy and "selling" it to an Administration.

Douglas Is Silent

One of the mysterious silences of this city is Senator Paul H. Douglas's quietness up to the time of this writing in the matter of the "honest money" policy of the Eisenhower Administration. Douglas, an Illinois Democrat, has for years been sounding off on the virtues of the independence of the Federal Reserve System from the domination of the Executive branch of government.

Senator Douglas was Chairman of a Monetary subcommittee of the Congressional Joint Committee on the Economic Report, which held a long course of hearings in 1949 on debt management and monetary policy. Out of this study the Senator proposed a resolution by which Congress would affirm the independence of the Reserve.

When Chairman William McChesney Martin of the Federal Reserve Board was up for confirmation for this position, before the Senate Banking Committee, Mr. Douglas expressed grave doubts about the appointment. That was because Mr. Martin previously had been an Assistant Secretary of the Treasury.

Senator Douglas opined at the time that he didn't like the idea of any Treasury Trojan horses being sent to take over the Reserve System, although the Senator was quick to express his personal opinion that Mr. Martin's integrity and ability were the highest. Nevertheless, the Senator refused to cast his vote for Mr. Martin's confirmation as Reserve Board Chairman, although Douglas did not go the other way and vote against confirmation.

Martin Restores FR Independence

Mr. Martin was confirmed and has proceeded to restore to the Reserve an independence and freedom of action such as it had not had in almost a generation, with Administration backing. As a consequence, or coincidentally, monetary inflation has abated, and money and credit, being limited to a genuine supply rather than a manipulation, has risen in cost.

Led by Senator James E. Murray of Montana and Rep. Wright Patman of Texas, the Democrats have adopted the tactic of pleading for the restoration of Reserve System inflated money supply. In the House, the official Democratic leadership has sponsored this project, since both Minority Leader Sam Rayburn and Minority Whip John McCormack have backed the Patman resolution which would direct the Reserve System to maintain government bonds at par.

Despite this attack upon an achievement — Federal Reserve independence to avoid inflating the monetary supply—for which Senator Douglas is conceded a great deal of credit, the Illinois Senator has not as yet risen in public defense of his achievement.

As a matter of fact, the entire GOP Congressional leadership also has been slow to defend this "honest money" policy. Its most vigorous defense so far has come from Senator Prescott Bush (R., Conn.) a freshman member of the Banking Committee, and from Chairman Homer Capehart (R., Ind.) of that committee.

This hesitation of the GOP leadership to defend one of the clear-cut policies of the Eisenhower Administration has not been due to any disagreement with this policy. Rather it is probably due to apathy, for the GOP Congressional leadership feels let down on the Korean policy, on the Administration's insistence upon heavy foreign aid spending, and is also unhappy not only with the absence of tax reduction, but the insistence upon continuation of EPT.

Attrition Not Abnormal

In this connection, it is pointed out in informed circles that the attrition of 16% on the last refunding of the Treasury should not be regarded as particularly high in a completely free market.

Even after the Treasury-Federal Reserve accord of March 4, 1951, the Reserve continued to step into the market when the Treasury had financing to handle, to maintain "an orderly market." This policy was continued with varying vigor until the refunding of December, 1952, the first to be completely without the intervention of the Reserve.

During the process of Reserve System support for Treasury financing, it came to be accepted that an attrition of 7% to 8% was normal on a Treasury roll-over. Actually, say certain observers, where there is no Federal Reserve support a cash-in as high as 16% should not be looked upon as abnormal or the resulting roll-over even partially a flop.

As time goes on more and more persons want to use their cash, and it is not normal to expect a great preponderance of holders of maturing issues to exchange them for even the most attractive new issues.

Despite the great need of the Treasury for new money during the coming six months, a great part of it can be obtained by long tax anticipation bills, it is believed, for under the Mills plan, 90% of corporation tax liabilities for 1953 income are payable in the March and June quarters of 1954. The Treasury will probably need somewhere between $8 billion and $10 billion during the next six months.

Cites Insignificance of RFC Business Loans

In connection with the drive to enact a substitute for the RFC, when it expires a year hence, to make small business loans, Senator Wallace F. Bennett (R., Utah) has issued some figures to highlight the relatively insignificant need RFC now fills in this field.

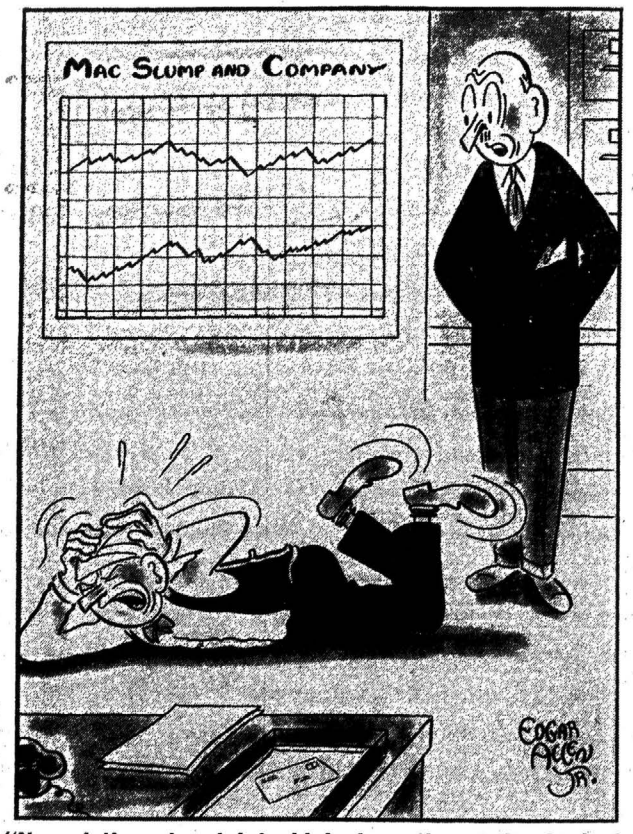
In an analysis of the Federal Reserve Board, according to the Senator, it was shown that in the year from November, 1945, to November, 1946, commercial banks made 115,700 loans in the amount of $100,000 per loan or less, and had 514,000 of such loans in the amount of $2.9 billion outstanding Nov. 30, 1946.

While there is no current break-down by size of commercial bank loans, the RFC did make 476 loans of less than $100,000 each in calendar 1952, and is currently making such loans to a total of about two per day.

"You realize that when we talk about preserving that needed service to small business we have come down to the point of diminishing returns. The thing just falls of its own weight," said Senator Bennett.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"Now, let's not get into high dramatics, Snitzel—just say you've got a headache and can you have the afternoon off?"

Business Man's Bookshelf

Attorneys' Investment Letter—designed for attorneys to equip them better to advise their clients on investment problems — discusses technical matters too frequently understood only by professional investors, such as formula plan of investing for trust accounts, advantages and disadvantages of discount tax exempt bonds, stocks with dividends partially or completely tax exempt, etc.—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Graphic Forecasts — Stocks, grain or cotton—$70—including free monthly digests to the end of 1953—W. D. Gann Research, Inc., Dept. C-143, Box 656, Scarsdale, N. Y.

Petroleum in the Western Hemisphere — Independent Petroleum Association of America, 1110 Ring Building, Washington 6, D. C. and 1437 South Boulder, Tulsa, Okla.—cloth.

Thackara, Grant Co. Formed in New York

Freeman G. Grant and C. V. Thackara, Jr., announce formation of the firm of Thackara, Grant and Company, to specialize in state, municipal and revenue bonds. The new firm will maintain offices at 44 Wall Street, New York, Lewis Tower Building, Philadelphia and Fort Lauderdale.

Mr. Thackara has been active for many years in the revenue bond field and Mr. Grant was one of the founding partners of the Philadelphia firm of Dolphin & Co. Most recently, both were Vice-Presidents of the New York municipal bond house of Byrne and Phelps, Inc.