PUBLIC UTILITY ISSUE

# The COMMERCIAL and FINANCIAL CHRONICLE

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EDITORIAL

## As We See It

Efforts on the part of Washington commentators to determine and to explain the current status of what is labeled "the Eisenhower program," are the center of attention almost everywhere. The Washington scene is hardly unprecedented, but it certainly is giving rise to a medley of conflicting and confusing diagnoses. On more than one occasion of late the citizen has found in his daily newspaper an account which would leave the reader with the impression that those who would for one reason or another cripple or wholly destroy the President's plans are rapidly gaining in strength and are likely in the end to leave the White House impotent and embarrassed; on the same day in another part of the same edition of the same newspaper, he has discovered "stories" or analyses by equally well known correspondents saying that all this that is apparently threatening the President's program is no more, or certainly little more, that sound and fury

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### More "Picketing" Comments

Starting on page 3 of this issue we present some more expressions of opinion received in connection with the "Chronicle's" symposium on the question of whether the Taft-Hartley Act should be amended with respect to picketing. As was true of commentaries previously published, those appearing in today's issue represent views of individuals prominent in industry, finance, governmental and labor circles. The symposium, the "Chronicle" believes, should be extremely helpful in clarifying thinking on one of the most important public issues of the day.

## Progress and Prospects Of Electric Power

By BAYARD L. ENGLAND*

Retiring President, Edison Electric Institute
President, Atlantic City Electric Company

**Retiring Edison Electric Institute President reports on developments of past year in electric power industry. Forecasts an adequate power supply ahead, despite rapidly increasing demands, and holds electric industry's progress has become synonymous with national progress. Calls for a sound water resources development policy, and pleads for fair competition from government proprietary business. Concludes "by our example today of better performance under free enterprise there will be assurance of a free society tomorrow."**

Today the electric industry in the United States has great opportunities and along with these opportunities much greater responsibilities. Much has been said about the way our industry has been undermined by the growth of socialistic policies and the 20 years of attacks by proponents of government power. But I, for one, believe we grew strong, we recognized our weaknesses and are facing the future with a greater depth of understanding because of these opposing forces. We know that the answer to "cheap government power" is cheaper, more reliable, less political, more businesslike, and more imaginative private power. Our companies have never been financially stronger, service-wise more capable and earnings-wise more attractive than they are today. I want to touch upon a few matters that I feel are worthy of attention.

B. L. England

#### Why Do We Have Conventions?

The questions are sometimes asked why do we have conventions and whom should we send to them? We

Continued on page 32

*Address by Mr. England before the Twenty-First Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 1, 1953.

## Atomic Power and the Electric Industry

By WALKER L. CISLER*

President, The Detroit Edison Company
Chairman, Edison Electric Institute Power Survey Committee

**After praising work of Atomic Energy Commission, Mr. Cisler points out we are reaching point where atomic fuels for electric power may be possible on commercial basis, and competitive industry should play part in bringing its vast capabilities into being. Says it is responsibility of electric industries to determine how atomic fuels may fit into generation of electric power, and reviews technical, engineering, economic and financial problems involved in this development. Gives data on energy resources of atomic fuels.**

In discussing the use of atomic fuels for the generation of electric power, it is most appropriate first to recognize the part which the Atomic Energy Commission, and particularly its present Chairman, Mr. Gordon Dean, have had in bringing this new development to its present position in so short a time.

Walker Cisler

The Commission came into being in November, 1946, and on Jan. 1, 1947 assumed a complex organization hastily built up as a wartime activity and devoted almost entirely to military matters. And there were many both within and without that wartime group that came under the Commission who fervently believed the atomic energy development should continue under rigid secrecy and control of the military authorities.

In the intervening years the Commission has discharged its responsibilities wisely and well. It recognized the fact that inevitably atomic energy must be an important factor in

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*An address by Mr. Cisler before the Twenty-First Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 4, 1953.

PICTURES IN THIS ISSUE—Candid shots taken at the 29th Annual Field Day of the Bond Club of New York on June 5 at the Sleepy Hollow Country Club, Westchester, N. Y., appear on pages 25, 26, 27 and 28.

# The Security I Like Best

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

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

**This Week's Forum Participants and Their Selections**

**Wheeling Steel Corporation**—Leon Levy, Partner, Oppenheimer & Co., New York City. (Page 2)

**Albemarle Paper Manufacturing Co. 6% Pfd. Stock**—Berkeley Williams, Richmond, Va. (Page 2)

## LEON LEVY

Partner, Oppenheimer & Co., N. Y.
Members New York Stock Exchange
Associate Members American S. E.

### Wheeling Steel

Wheeling Steel common stock sells at a lower price-earnings ratio and a larger discount from its book value than any other leading steel company. At 37 it yields a generous 8%. These facts are generally appreciated by steel stock followers. What is less well known is that today Wheeling is an efficient, relatively low cost operation whose profit margins are among the widest in the industry. This was not so during the 1930s.

Leon Levy

While the high profit margins are in part due to the large portion of steel output manufactured into semi-finished products, the improvement since the war is a reflection of increased efficiency. Before World War II profit margins were little better than the industry average. In contrast, during the past three years Wheeling Steel was able to bring down a larger percentage of sales to net before taxes than any other major company save only National Steel. This improvement was brought about by plant and equipment expenditures of $125 million since the end of the War. Unlike most major steel companies which have greatly expanded ingot capacity, Wheeling Steel concentrated on improving its raw material supplies, reducing costs and replacing old, inefficient operations with relatively low cost modern ones.

Principal customers are the automobile, building and container industries. The company also distributes a large part of its finished products through jobbers. The Fabrication Division, as well as making for high profit margins, contributes to stability. Its sales are less cyclical than those of basic steel products. In fact, during the depression, earnings together with depreciation always exceeded expenses; the company never experienced a cash loss. Last year, however, profits were held back because government regulations regarding steel allocation prohibited Wheeling Steel from supplying its own Fabricating Division with full steel requirements.

The $125 million improvement program is scheduled for virtual completion in 1953. It was paid for almost entirely out of retained earnings and depreciation. Senior capitalization increased by only $22 million. Consequently, dividends of necessity, have been kept low. They have averaged little over one-fourth of earnings for the past three years. But the necessity for a conservative dividend policy will no longer exist by the end of the year.

Wheeling's finances are unusually strong — working capital was $76 million on Dec. 31 last and current assets were almost five times current liabilities. Furthermore, the outlook is for a large cash inflow next year due to depreciation and accelerated amortization. Certificates already granted indicate that depreciation charges next year will amount to over $8 per share. Therefore the management would appear justified in raising the annual dividend rate to $4 a share. This would bring distribution of earnings to shareholders more in line with policies followed by other steel companies. The stock is listed on the New York Stock Exchange.

## BERKELEY WILLIAMS

Richmond, Va.

### The Albemarle Paper Manufacturing Company 6% Preferred

If you are looking for: A Senior Preferred security of a deep rooted aristocrat, in a growing industry: With par value of $100 and book value $643: Paying $6 per share, and earning the hard to believe amount of $45 per share: Whose current Asset value is $182 per share, and has other attractions, you may stop looking and buy The Albemarle Paper Manufacturing Co. 6% preferred at current market price of $85 per share.

Berkeley Williams

Albemarle is not a marginal company. It is fully integrated from forest to finished product and supplies source material to customers manufacturing a long list of end products. Its manufacturing break-even point is around a low 60% of capacity.

Timber reserves, vital to a paper company are adequate to meet all present or foreseeable future needs. The proficiency of its tree farming policies are such that the company is guaranteed a sustained, if not perpetual, supply of raw material. It does not measure its reserves by comparing them in size with the size of states, as some giant companies do, but Albemarle's are large, they are economically located within easy reach of its plants, and all are in the South where trees become merchantable in 15-20 years. Some timber lands have been cut over three times. Should the new method for making chemical pulp that cuts wood consumption up to 50% materialize, reserves would be automatically doubled.

Plants are (1) Brown's Island, manufacturing natural, colored and printed kraft, wrapping, converting and specialty kraft papers. (2) Hollywood, manufacturing absorbent and cover paper, plain and enameled blotting. (3) Riverside, manufacturing asphalt, laminated, waxed, saturated and other water-proofed kraft papers. This mill houses the company's multi-wall sack operation. (4) Halifax, manufacturing kraft, sulphate pulp and kraft wrapping, converting and specialty papers.

All four plants are strategically located with regard to raw material and to markets, and, therefore, are subject to economic control. Independent of either rails or trucks the company uses both and delivery to customers can be made within a few hours. Recent $6,300,000 modernizing and expansion program is virtually completed.

New paper mill building at Halifax houses a new and most modern Beloit Fourdrinier, one of widest and fastest in the industry, making a very high quality sheet of paper at a low unit cost. The start up of this machine in January, 1953, about doubled the paper making capacity of the entire company.

A wise man once said that three things entered into the success or failure of an undertaking—men, methods and money and the greatest of these was men. Albemarle has top flight management. President Gottwald is a classic example of management that has come through. He has traveled the road all the way from laborer to Chief Executive and large Stockholder. The new outlook of the company is largely due to his inspiration and initiative.

He is a leader and co-worker, and, in good labor relations, Albemarle has an outstanding record.

The company was organized in 1887 and until recently earnings were cyclical and comparable in ups and downs with other paper manufacturing companies. But such highly cyclical periods in the paper industry are not likely to be repeated. There have been so many new uses of paper discovered in recent years, there has been such an amazing increase in per capita use of paper and paper board followed by such a huge growth in fundamental demand that, while some temporary leveling off may be expected in the near term because of recent major expansion of productive capacity, long-term market growth is well assured and it is not at all likely that the industry will cut selling prices to accelerate growth of consumption but rather fall back on less than capacity production; nor is it likely to be an industry left holding the bag when defense spending is cutback. It is now a favored industry. In 1915 per capita consumption of paper was 100 lbs. In 1952 it was 390 pounds. It is estimated that by 1955 we may be using 33,000,000 tons of paper in the United States.

"Industrial Bulletin" of Arthur D. Little, Inc., May, 1953, carries the following timely comment:

"Continuing research has kept the pulp and paper industry flourishing, and will contribute substantially to its future growth. Despite the advent of plastics and other new material, the pulp and paper industry ranks sixth in value of goods produced, with an annual output worth $6 billion. Annual U. S. consumption of paper and paperboard is now about 31 million tons, 14 times as much as in 1900. Some experts believe that it may reach 42 million tons by 1960. While sales of some paper products are closely related to population growth and business conditions, new developments from research promise a steady increase in the per-capita consumption of many others.

"Packaging now accounts for about 45% of the paper and paperboard used, with printing papers including newsprint, taking some 30%."

In 1949 the paper industry chose to cut prices rather than production when demand leveled off but that experience demonstrated that price cutting does not immediately stimulate demand but leads rather to the expecta-

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*What Do You Think?*

# More on Picketing

**Additional opinions given in connection with "Chronicle" symposium on question of whether or not the Taft-Hartley Act should be amended to curb picketing.**

*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; others in the June 4 issue starting on the cover page, and we are able to accommodate in today's issue the following additional expressions of opinion. Others will be given in subsequent issues.*

**HON. H. ALEXANDER SMITH**

**U. S. Senator from New Jersey Chairman, Senate Committee on Labor and Public Welfare**

Few would deny, I believe, that government has both the right and the duty to *regulate* picketing to some degree. Mass picketing, completely uncontrolled, can develop into mass violence, and certainly government has an obligation to prevent such violence.


H. Alexander Smith

The chief issues of debate, I suspect, boil down to questions of the proper type and degree of regulation. When does a regulation of picketing overstep the bounds and become an improper infringement of a right of free speech? Of course there is no simple test or yardstick by which we can find an answer to this difficult question. I do believe, however, that if picketing is kept peaceful and orderly, it is a legitimate means by which individuals may exercise their right of free speech. Frequently it is virtually the only means available to a group of persons by which they can make their views known.

If the picketing is kept orderly (perhaps limited to x numbers in a picket line) I believe that property rights and the right of a man to work can be be protected. Of course it can be argued that since public opinion exercises such great pressure in preventing people from crossing picket lines, picketing, no matter how orderly, violates property rights and the right to work. My answer to this is that though this may in fact sometimes occur, it is a risk we must and can afford to take in the interest of protecting free speech. Just as "truth" does not win every battle in the competition of ideas, so also picket lines will sometimes be respected in unworthy or unjust causes. But just as we support our general philosophy and system of free speech on the assumption that most of the time, in the long run, "truth" will win out, so also do I believe that in the long run the competition in views presented by the pickets, management and public opinion generally will serve to bring about a better solution than if picketing were completely prohibited.

**WALTER P. REUTHER**

**President, Congress of Industrial Organizations, Washington 6, D. C.**

To me the query whether the right to picket is to be sustained is equivalent to asking whether collective bargaining is to be kept or supplanted by some other system of labor relations, and whether freedom of speech is to continue to be respected.


Walter P. Reuther

The rights to strike, and to picket to implement a strike, are integral parts of collective bargaining. It is not necessary to use these sanctions most of the time, but the right to use them is essential to the existence of collective bargaining. Absent the union's ability to picket and strike, and on the other side of the table absent the employer's ability to say "no" to union demands, there could be no real bargaining, because bargaining implies power by each of the parties to withhold assent if the offered terms are not satisfactory.

Now, all of this may appear to be very elementary but it is a piece of wisdom that still needs to be learned in some quarters if one can judge from the tendency toward imposition of increasing disabilities on picketing.

Picketing is then part and parcel of the union's strength in collective bargaining. If concerted action is essential to fortify the workers' strength in support of a collective bargaining demand, picketing to proclaim this fact in an effective way is equally essential.

Now as to picketing and property rights, I am not a lawyer, but I do not understand that anyone has a "property right" not to have truthful statements made about him. As a union officer and

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# Restrictive Credit Policy And the Banking Outlook

By FRED F. FLORENCE*

President, Republic National Bank, Dallas, Texas

**Prominent Southern banker, in appraising prevailing situation, says there is logical reason to believe good business conditions will continue for at least six months, but warns current "tight money" policy of Federal Reserve should be pursued at a more cautious pace, since drastic changes have produced an unfavorable psychological reaction. Calls attention to unevenness of our economic growth and advocates strengthening the banking structure through more equity capital and careful screening of credits. Adds business also should re-examine its own financial structure.**

The over-all international situation, war in Korea, and the Russian war of nerves, continue to dominate our economy. There is little evidence of the likelihood of any early change of such magnitude as to justify our believing there will be any appreciable relief from the burden it imposes upon us in maintaining and preserving the essential requirements of our national security. President Eisenhower has very appropriately stated that his foremost responsibility to the American people is their national security.

Fred F. Florence

While we might confidently look forward to some diminution of the tremendous outlays of funds for national defense or war, the lack of confidence among the more important nations of the world should cause us to maintain strong and costly defense throughout the long years ahead to meet any national emergency. The seeds of distrust among nations have been sown so deeply that even if peace is achieved, which would entail a long period of negotiation, it will still be recognized that only in our inherent military and general economic strength and stability will we be assured of maintaining the peace.

There is nothing that the American people desire more than a just and honorable settlement of our international problems with its attendant peace to the world, but in our ardent desire and prayer for peace we cannot afford to relax our efforts to safeguard the very lives of our people. While there are naturally inherent risks in expanding our economy and in the utilization of our natural resources in maintaining a war economy, the risk therein is not comparable to the risk of the human lives of our American people upon which all of our other values depend.

It is a shocking reflection upon our intelligence to be fearful of peace, and to fear that a peaceful solution of the world's problems would bring about such serious deflationary readjustments in our own domestic economy that it will create a serious period of depression, and be harmful to the well-being of our people. War, preparation for war, and safeguarding against war, are destructive elements in our economy, destroying the wealth and energy intended to be used for the benefit of mankind. Peace would usher in the greatest period of prosperity ever known, and be the greatest blessing that could come to America and all of the people of the world. Only in periods of peacetime, when our people pursue their normal lives without fear of war, can the truly great achievements and expansion in this country take place.

With the great increase in population that has taken place in this country, and the conservative appraisals that it will continue in the generation ahead, we are assured of greater need for our productive capacity and ability. We have been negligent in the development of great highways and construction of new schools, hospitals, and other public and private works needed for the betterment of our people which will create higher living standards.

We should visualize the potentialities in the expenditure of those billions of dollars in a war economy, as contrasted to an era of peace. The expansion which we have experienced would appear relatively small compared with what could have been accomplished for the betterment of our people with those billions of dollars directed into constructive channels. Certainly readjustments will take place and will have serious effect upon some segments of our economy, but with peace the over-all welfare of the American people will be genuinely rewarded by a sound expansion in our country that will bring us higher standards of living than we have ever enjoyed in the past, and greater developments in science and all other categories than we have ever experienced.

*An address by Mr. Florence before the Illinois Bankers' Convention, St. Louis, Mo., June 3, 1953.



### Good Business to Continue for At Least Six Months

In our current appraisal of the prevailing situation there appears to be logical reason to believe that good business conditions will continue for at least the next six months. In the first half of the fiscal year beginning July 1, current estimates are that the Government's cash expenditures will exceed its cash income by more than 10 billions of dollars. For the full fiscal year that figure will be reduced by the heavy income tax and other payments to the Treasury in the Spring of next year. But in the intervening time the expenditure of such a tremendous sum by our National Government, which will require borrowing that will take our gross national debt to the highest figure in history, certainly cannot fail to have a stimulating impact upon business during that period. Even assuming a peace in Korea, expenditures of our National Government will continue for the full fiscal year at a rate within approximately 5% of that presently prevailing.

We have a tremendously rich and resourceful nation, both in material assets and in the inherent strength and innate wisdom of our American people. It is the primary responsibility of all businessmen to maintain their businesses on a sound basis to be able to weather serious periodic changes in our economy. When we operate our businesses upon that sound basis we need not be alarmed about the future. Those who have made the most careful, painstaking and intelligent study of this country, its resources and potentialities, agree that over the long pull in the generation ahead, there is every evidence of a degree of prosperity that has not heretofore been experienced. The thing for us to do is to keep our houses in order, maintaining the kind of policies in the administration of our affairs that will safely insure our business to where it can go into that great period with the strength to achieve its fair share of the opportunities and development that lie ahead.

### No Drastic "Tight Money" Philosophy Needed

Possibly one of the most significant subjects now before us is the Monetary Policy currently being pursued by the Federal Reserve System. It is commonly referred to as a "tight money, or restrictive policy." It has proven to be effective to a high degree, possibly more so in the reaction to same by the masses of our people than the Board of Governors anticipated. As an instrumentality against inflation I strongly approve of its application, but I do suggest that the policy be pursued at a somewhat more cautious pace. Following the "easy money" policy of previous Administrations for the past 20 years, the sudden drastic changes have produced a psychological reaction that does not augur well for the over-all best interest of our country.

The United States Government bond prices should not be pegged, but the Federal Reserve Board should see that an orderly market is maintained. Recent drastic downward fluctuations in the bond market appear abrupt, and raise some question as to whether it should be construed as characteristic of an orderly market, even under prevailing conditions. There has been some indication recently of a slight softening of the Federal Reserve policy in its application to short-time U. S. Government securities. That would appear to be wholesome, and I confidently believe it will be well received by cautious and thoughtful businessmen whose primary consideration at all times is for the best interest of our people, and the welfare of our national economy.

The Administration is to be commended in its desire to maintain the purchasing power of the dollar, and the soundness of our money. At this time our National Government is the really great borrower of money. The finances of American business are on a sounder basis than that of our National Government; therefore, the best interests of our country are involved in a quite orderly and painstakingly cautious transition in monetary policies. It would be fine if in administering to the patient you could bring about his complete recovery overnight, but too drastic remedial applications might cure the ailment, but leave the patient in a state of shock.

### American Banking Is Sound

American banking has justifiable cause for pride in its accomplishments. We have gone through a period of national defense, World War II, and then the postwar period, followed by the Korean War, during all of which time American business, and the requirements of our Government on American business, have been largely financed by banks. Banking has gone through these periods, and met the requirements of the great expansion that has taken place, to where the loans of the chartered banks of our country reached the unprecedented total of approximately $75,000,000,000 at the end of last year. To have met the demands so adequately has been a great achievement, but to have met these demands within the framework of our banking system, and yet find that in American banking there is still some reserve of lending power available to the sound business enterprise of our nation is an even greater achievement. With loans at unprecedented high levels, and in spite of a firm monetary policy by our Government authorities, there is still within private banking the ability to adequately meet the legitimate needs of American business.

The experience in the post-Korean period taught us that fundamental consideration of supply and demand are still operating in our markets, and that as long as the immediate threat of all-out war does not hang over our heads, businessmen and consumers will act rationally and allow normal supply and demand forces to set the pattern of economic activity. Many businesses have encountered this fact in a period of rising defense expenditures, full employment, and record levels of income. Their experience has engendered the attitude of caution in viewing the outlook for the future.

### Reasons for Exercising Caution

One of the fundamental reasons for the necessity to exercise caution is the unevenness of our economic growth. Not all industries nor geographical areas can be expected to share in the progress of our country to the same degree, and individual banks naturally are affected in varying ways. Therefore, it is the responsibility of the lending officer of a bank to appraise carefully the environment in which his bank is operating. It should be clear to all of us, however, that this caution should not be the basis for alarm or fears regarding our economic well-being. It is just sound business policy for us to take our bearings, and calculate the risks on the course ahead. The atmosphere of caution by bankers is dictated by sound judgment and a desire to keep banking's credit house in order.

This is the time for bankers to scrutinize all applications for credit with very great care and special consideration to the inherent liquidity and soundness of their loans. With the great increase in the total loans of banks throughout the United States, which is a natural result of the tremendous growth that has taken place, it is now more important than ever before that bankers not be misled by the fine record of collections in the loan portfolios that they have been accustomed to throughout this period of inflation and expansion in which our country has been going for an unprecedented long period of time.

During boom periods the seeds are always sown for the difficulties of the succeeding eventual downturn, and it is during periods of downward fluctuating activity that credit and financial problems increase and multiply. If we take these problems into consideration in the discharge of our daily work, we will materially lessen their impact when the downturn occurs.

During the year 1947 the Collector of Internal Revenue and the Treasury Department recognized the need for establishing reserves for bad debts in banks, with a current reduction in Federal Income Tax. This was embodied in the issuance of Mimeo 6209 by the Treasury Department, under which banks were permitted to create reserves on the basis of their past 20-year loss experience ratio, multiplied by present loans outstanding, with a current ceiling of three times that amount. At the end of 1951 only about 45% of all insured commercial banks had established reserves on the basis permitted. It is difficult to understand why such a large number of banks in this country have not taken advantage of the opportunity to establish reserves in their loan account as provided under the regulation aforesaid. Since the large losses that occurred in banks in this country during the years 1930-33, on the basis of the formula now being used, covering a 20-year period, it will be seen that banks are being faced with the situation whereby their loan portfolios have been expanded, while from this year on the applicable ceiling is being reduced. Sound banking policy and good business judgment would dictate the use of this reserve formula to the highest extent permitted. The American Bankers Association is on record strongly in favor of a further increase in the amount of reserves that can be accumulated in order to maintain a stronger banking structure for our country. Certainly the Government should have great concern about the strength of the banking structure, and it should foster and encourage constructive and sound measures that would permit banks to grow stronger. It should also be the pride of each bank, its directors and officers, to have the maximum amount of reserves set aside for possible bad debts that is permitted by Internal Revenue Department regulations.

Authority under Mimeo 6209 was a constructive step in the right direction, but it should be promptly augmented to meet risks inherent in the unprecedented total of loans held by our banks. This will necessitate a formula to increase reserves to more than double the reserves presently authorized. In the end it will redound to the benefit of our Government, and as a matter of practical application, is not any special favor to banking but is wholly in the best interest of our national welfare in which our Government should have primary concern.

### More Capital Funds Needed In Banking

Another important factor vital to our banking structure is the necessity to increase capital funds to keep pace with the great growth that has taken place in loans, investments, and resources. A bank's

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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 last week suffered a slight set-back but continued to be moderately higher than the level of a year ago and close to the near-record peak attained in recetn weeks. Labor management disputes slowed output in some lines.

Steel ingot production last week averaged 99.6% of capacity and was substantially higher than a year-ago when work stoppages hampered output. Strikes in suppliers' plants cut automobile production substantially the past week, but output is expected to rebound sharply this week.

Cease fire in Korea will not herald a decline in the steel market, states "The Iron Age," national metalworking weekly, the current week. All signs point to a very high level of business through the third quarter it adds, with perhaps a moderate decline (not a recession) in the last three months of this year. Consumer demand is believed virile enough to support production of more than 110 million tons of steel in 1953. The previous high for the industry was 105.2 million tons produced in 1951.

Steel wage negotiations by streamlined committees are reaching the serious bargaining point and may enter the home stretch next week, this trade weekly further states. The agreement will likely provide a wage increase of around 10 cents an hour; followed by a price increase of about $4 a ton, according to this trade authority.

Some of the reasons steel will remain hard to get through most of the year even if there is no strike are that the defense program is pretty well set, declares "The Iron Age." Even if the shooting stops, steel requirements will remain about the same—at least through this year. About 12% of industry capacity will continue to be employed in filling these needs.

Steel order books of producers are practically filled on major products through the third quarter.

Most mills will enter the third quarter with large carryovers of undelivered second quarter orders. Some of them are a month or more behind on important tonnage products. Since they are already operating at capacity, the only way they can get their order books current is to drop a full month's quota to customers, this trade paper asserts.

Mills still are not able to accept all orders that customers want to place—even for delivery three months hence, it continues.

Although major users are hopeful they will not have to rely on expensive conversion steel after August, they are not convinced their hopes will be realized, this trade weekly notes.

The defense program is not the strongest factor supporting the steel market, since greatest pressure is coming from manufacturers who are finally free to produce and sell all the civilian goods they can, declares "The Iron Age."

When the steel industry does catch up with its market the supply-demand balance will not come to rest on 100% of capacity; it will dip below. But that will not happen until the conversion bloom is gone; high cost producers have to give up charging premium prices; mills have trouble filling their order books, and new orders do not keep pace with production and cancellations, it points out.

Some or all of these things may happen before the end of this year. But the end of the steel honeymoon will not necessarily signal an unhappy future for the industry, concludes this trade authority.

Automotive production last week began to rise again, following settlement the previous week of labor disputes that had hit Ford and Chrysler.

The industry turned out 110,387 autos last week, 9% more than the 101,466 in the preceding week and about 18% above the 92,956 in the like 1952 week, according to "Ward's Automotive Reports."

A continued strike at Borg-Warner Corp.'s Muncie, Ind., plant, however, was still hurting the output of Nash, Hudson, Studebaker, Willys and Kaiser, according to the agency.

"Higher production hopes rest mainly on Ford and Chrysler operations, where suppliers' strikes bit deeply into production and cost losses of many thousands of cars and trucks," said "Ward's."

Corporate outlays for new plant and equipment this year may exceed the $27,000,000,000 which was forecast last April according to a survey by the United States Department of Commerce and the Securities and Exchange Commission. One official estimated such expenditures might reach $28,000,000,000. That would be $1,500,000,000 above the previous high set in 1952.

The survey said plant and equipment spending would attain new records in the second and third quarters. On a seasonally adjusted basis, the scheduled outlays indicate annual rates of $28,400,000,000 in the second quarter and $28,700,000,000 in the subsequent three months. The yearly pace in the March quarter was $27,200,000,000.

## Steel Output Scheduled at Fractionally Higher Rate This Week

Further price increases on steel products are anticipated by consumers, says "Steel," the weekly magazine of metalworking.

While the recent flurry of advances resulting from upward adjustments in extra cards is about over, revisions in base prices are believed in the making. These, it is expected, will follow promptly upon any wage boost stemming from current negotia-

*Continued on page 41*

# The Economic Consequences Of the Coronation

By A. WILFRED MAY

**Mr. May at the Coronation in London notes greatest relative interest, both quantitative and qualitative, was evinced by Americans. Analyzing attendance statistics in detail, concludes increase in tourism and spending largely represents mere acceleration in lieu of sizable net gains for years as a whole. Cites various temporary inflationary stimuli to the economy. Notes importance of TV, both as to set sales and interference with Coronation attendance.**

LONDON, Eng.—It is fitting that this report to the "Chronicle" of this week's "doings-of-the-Queen" should confine itself to their relatively unglamorous fiscal aspects. (This, of course, is not to imply that any materialistic motivation was connected with this most sacred of all national ceremonials.)

A. Wilfred May

Our conclusions are applicable to any Coronation or celebration of an important British occasion; since it is quite generally agreed that, whatever the personal grouches of the few Bevanites, a Labor Government would have put on just as elaborate a show. Witness the elaborateness of even its Festival of Britain two years ago, with its catering to the Royalty.

For appraising the stimulus to dollar—and other foreign—exchange earnings, your correspondent has been fortunate to enlist the cooperation of the British Travel and Holidays Association, a quasi-government agency, which has the firm data regarding the actual number of past visitors and careful future estimates based on information supplied by shipping companies, airlines and travel agents at home and abroad.

### Americans Like Parades

The statistical data, as confirmed by my first-hand observation on the Continent, show that by far the greatest foreign interest in the Coronation was evinced by Americans. The number of visitors from the United States in April and May, about a quarter of the total "gate," increased a full 40% over 1952; against an increase of less than 10% from European countries, and 19% from all countries. Americans are evidently more interested in parades than in trade fairs; the 1951 Festival of Britain prompted no increase in U. S. visits over the previous year.

But in connection with the dollars-earning result, a crucially limiting factor is that these large increases to a great extent represent **acceleration** of business that would have come in anyway through the year. The full year's estimate for U. S. visitors is but 16%, against an increase of 24% from 1951 to 1952. And not only England, but France, Spain, Italy and Germany as well are getting all-time high tourist bookings.

The Coronation's stimulus to the economy functions somewhat the same as the "Christmas Trade" impact, in partially borrowing from the future. The post-June flattening-out of the tourist traffic here will correspond to the drastic January lull in retail trade.

### Tourist Spending Limited

The estimate of the expenditures of the visitors shows an even more negative result, since they indicate a smaller year-to-year increase than the number of tourists. At 90 million pounds they will exceed 1952 by only 12%, against 1950-51 increase of 47%. The disproportionately low receipts are largely due to the shorter period of time spent by the visitors, as on the numerous cruise liners standing by especially for the two or three Coronation days.

Fare payments to British ship and airlines, at 38 million pounds, will be only 9% more than last year, because of the new United States, Italian and Dutch liners which have recently come into competition.

### The Income Statement

In any event, the "income statement" of the Coronation, even on the basis of the visible items, is surely in the black. The total of the materials expenses—for construction of the wooden stands with 10,400 cubic feet of lumber, the annex at the Abbey, the decorations, furnishings, fabrics (50,000 yards of rayon), carpets, 120,000 cushions and electric lighting totaled 1,438,000 pounds, with another million pounds in outlays for the military forces, expenses of the royal household, and entertainment expenses of government departments.

Receipts, including revenue from seat sales, aggregated 513,000 pounds, leaving a net cost of 1,925,000 pounds. This cost figure is, of course, well covered by the 21 million pounds of tourists' spendings in April and May.

### Boost to the Economy

The Coronation supplied a real, if unassurable, fillip to consumer spending; on eating, liquor, on traveling to and from London, and such sideshows as after-looks at the Abbey for which there has been long queuing-up at 10 shillings admission. And there is the boom to television set sales (like that from the American political conventions), on the instalment technique. Confirming the inflation to consumer spending is the concurrent fall in savings deposits.

Among its economic phases also is the push given to the building trades' repair section. Although there is full employment in house building with 300,000 starts annually attained, the repair end has been depressed. Also there is the stimulus given to the textile trade, in the production of extra Union Jacks. The official banners alone consumed 8,000 yards of bunting.

Inflationary effect on the general economy was adduced by the 4% decline in the country's production resulting from the extra day's paid holiday.

### The Incidence of TV

The ever-controversial TV, in addition to the swelling of its set sales, got into the situation—as with American boxing and baseball—through its interference with the attendance, by both domestic citizens and foreigners. For example, people remained in France flaunting their lazy and comfortable absorption of the proceedings over the TV set in the public lounge of Paris' Hotel George V.

* * *

Truly:—*Her Majesty on the historic day rode, radiant and crowned, in her golden coach through the ranks of her cheering peoples, expressing the dedication of a vast part of the human family to the task of making the earth a juster, kindlier and more gentle place*—but without changing its economic aspects very much.

# Outlook for Money Rates And Fixed Income Securities

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

**Forecasting no change in monetary policy unless business hits a slump, Mr. Murray finds current rise in bond yields attractive to fixed income investors, while the incentive to buy equities has been substantially reduced. Finds government bonds in generous supply, with likelihood of increase in long-term issues attractive to investors. Says preferred stocks are within buying range, and, because of closing of gap between bond and stock yields, fixed income securities are gaining in favor.**

Hardly more than two years have elapsed since the Treasury and the Federal Reserve reached their historic accord of March 1951, yet more bond market history has been compressed into this period than into the preceding decade. The past four months have set a particularly fast pace in the unfolding of an erratic, at times disorganized, but extremely interesting market for fixed income securities. By comparison, the stock market has been a well behaved, orderly, and thoroughly dull affair.

Roger F. Murray

The principal questions suggested by current events include:

(1) Why have the changes been so great, so rapid, and so difficult to predict?

(2) What do supply and demand factors suggest for the outlook?

(3) What will be the part played by the monetary authorities?

(4) What are the implications for the various categories of fixed income securities, namely, Governments, municipals, corporate bonds, and preferred stocks?

(5) Finally, how do fixed income securities look in comparison with equities?

*An address by Mr. Murray at the Annual Meeting of the Boston Security Analysts Society, June 4, 1953.

**The Bond Market Has Become A Cash Market**

I have been unable to find a time during the last thirty years when, apart from war panic and money crisis situations, we have witnessed so abrupt a change in bond prices. What occurred in the public utility new issue market between January and May is without precedent for periods of steady economic activity. High quality bonds, those usually rated AA, sold to yield 3.25% in January, 3.40% in February and March, 3.50% early in April, and as high as 3.90% in May. During the same period, the longest marketable Governments declined about five points to increase their yields by 0.35% and a representative index of municipal bond yields rose by about the same amount.

The explanation for the rapid rise in bond yields is to be found in the changed character of the bond market. For the most of the past three decades there was a fair amount of elasticity to the market because credit or its equivalent was available when necessary to meet an expansion in the demand for investment funds. In the 1920s, individual bond buyers were important and there existed a strong investment banking system for the distribution of new issues. Also, the commercial banks were a factor at times and their expansion of credit provided the market with a degree of elasticity. Salesmanship and bank credit combined to bring out the supply of funds so effectively that bond yields were in a stable or declining trend despite the increasing demand for investment funds from private sources.

In the 1930s, there was no problem in meeting the small demand for money, and yields declined almost continuously until the rate structure was frozen for World War II financing purposes. When private investment activity quickened in the early postwar years, only a modest increase in rates was permitted. Virtually indefinite expansibility was provided to the bond market by the well-known pegging operations of 1947 and 1948. The flow of savings, although very large, was inadequate to meet a vigorous expansion in plant and equipment outlays, working capital requirements, and real estate mortgage debt. However, as long as the Federal Reserve stood ready to buy long-term Government bonds at what amounted to fixed prices, the thrift institutions, which had accumulated much larger holdings than they really wanted, could comfortably meet private borrowing demands and readily make commitments for months ahead.

The withdrawal of support from the Government securities market came in two distinct steps, which accounts for the change in the gradient of the bond market decline. After the accord between the Treasury and the Federal Reserve was reached in March 1951, only temporary support was given to the bond market by direct purchases of long-term issues. However, the Federal Reserve continued to provide the market with funds by purchasing short-term securities from time to time. During the balance of the year, the credit situation was made less tight than it otherwise would have been by reason of a $0.8 billion increase in the Federal Reserve securities portfolio. Similarly, in 1952 the market was eased to the extent of about $0.9 billion of net System purchases of Governments.

This easing of the money markets was discontinued in 1953, however, and no steps were taken to assist Treasury refunding operations until mid-May, when modest purchases of bills were started. Meanwhile, the outflow of gold and the increase in currency in circulation were reducing bank reserves. So far this year, therefore, the Federal Reserve has followed a policy of permitting market forces to restrict credit, thereby complementing the announced debt management program of the Treasury.

Since there is no reservoir of individual bond buying, since the commercial banks are not a factor, and since the policy of the monetary authorities is restrictive rather than expansionary, the bond market has become a predominantly cash market. There has been some convertible bond financing in which bank credit was employed but it is not important currently. For a supply of funds, the market must rely on the ponderous mechanism of our great thrift system, composed of the life insurance companies, mutual savings banks, savings and loan associations, and pension funds. We know that these institutions are gathering small savings at a rate which should produce a growth in assets of $12 billion this year. While these institutions have become tremendously effective over extended periods of time, they cannot respond quickly nor is there any important elasticity in the flow of funds over a few weeks or months.

Consequently, the rapidity of bond market changes, the lack of continuity in prices, and the disorderly conditions which have prevailed at times can all be recognized as the typical characteristics of a cash market. The size of the adjustment which has taken place, however, must be attributed to an additional factor: the aggressive manner in which the Federal Reserve and the Treasury have presented a united front in carrying out the return to a free market. While the Treasury was firmly stating its intention to get on with extending the maturities of the debt, Federal Reserve officials were emphasizing the fact that this operation would be conducted without help in the form of market support.

The notice given by the authorities early in the year as to what the program would be, accompanied by the Treasury's need for money before the June tax collection period, was all the warning corporate financial officers needed and they went right to work. Only the time required for processing registration statements and the restraint of underwriters kept the whole year's new-money offer offerings from coming to market before the middle of April. Alerted to the fact that the Treasury would be a vigorous competitor for the stable flow of thrift money, borrowers raced to meet their requirements as soon as possible on the correct assumption that the laggard would pay the higher rate. Thus the extent of the rise in rates this year is attributable in large part to the "open-mouth" policy of the authorities and the prompt response which it evoked from borrowers and lenders alike. A predominantly cash market was bound to react sharply. Once confidence was impaired, the declines spread to all sectors of the market and the heavy volume of new financing required pricing at a new level.

**Where Will Supply and Demand Balance?**

Between June 1951 and the end of 1952, bond prices fluctuated within a relatively narrow range, with intermediate rallies and declines reflecting the ebb and flow of new corporate borrowing. A precarious equilibrium was gradually established in the absence of Treasury borrowing at long-term. Under these circumstances, the offering of even $1 billion of new 30-year 3¼% bonds as a competitor for the limited supply of funds had the anticipated effects on the rate structure for private borrowing. Thus we now have the Treasury adding a portion of its very large requirements to the eager bidding for nonbank funds. As a result, the competition has been rough. Surfeited with government securities during the war and prewar years, the leading thrift agencies have had a real appetite only for corporate obligations and real estate mortgages. Thus, given a good spread as at present, the institutional buyer prefers other outlets to governments.

Corporate borrowers are not the only competitors, of course. Housing bonds backed by the Federal Government's credit, and offered to yield up to 3% fully tax exempt at the long end, do not make the new taxable 30-year 3¼% bond look attractive. By raising the rate to 4½% on FHA insured and VA guaranteed mortgages, the government also has made it hard for itself to compete for nonbank funds. The tendency then, in this period of high demand is for investors to be attracted elsewhere and to be unresponsive to the Treasury's offerings.

In summary, as long as private demand stays high and the Treasury is also in the competition for funds, long-term rates will continue to rise. Ultimately the supply and demand situation in the capital market will determine the point at which an equilibrium is established. Taking into account corporate bond borrowing, state and municipal financing, and real estate mortgage volume, it would appear that for 1953 as a whole there is a fairly close balance between the supply of and demand for long-term funds. This approximate balance has not been evident because of the acceleration of offerings stimulated by Treasury announcements, but it should become apparent as the market completes working through the congested new issue calendar.

In my opinion, 1953 is likely to witness a leveling off, and 1954 some decline, in this aggregate demand from private sources. What the Treasury and the Federal Reserve will do is more difficult to predict, but perhaps we can make some educated surmises.

**More Credit Restriction Ahead?**

The actions of the Treasury and the Federal Reserve since the first of the year have been entirely consistent with a program of fighting the inflationary pressures generated by a budget deficit at a time of full utilization of resources. The program has also been designed to postpone, if possible, some portion of the high level of capital goods activity to next year or the year after, when a backlog in this area might be highly desirable from the standpoint of economic stability. The activities of the Federal Reserve and the Treasury have been quite effective in checking any possible tendency for a "confidence boom" to develop.

The various measures which have been taken to keep credit tight and to compete with private borrowers in the long-term market have actually been employed in a firm but not aggressive manner. They seem drastic only by comparison with the long pursuit of extremely easy money policies during the past twenty years. The program does not have raising interest rates as its primary objective, although some value is seen in having higher rates in effect because they permit more room for easing rates at some future time if this should appear desirable. Rather, the goal has been to permit rates to be determined by the demands for investment funds in a period of peak economic activity. The results reflect the price for money set by a comparatively free market.

The new Administration has been quite explicit in stating its willingness and intention to take all useful measures available to combat a recession if one should begin. High on the list of these measures, ranking perhaps just below tax reduction, is a material easing in the credit situation. The monetary authorities are fully prepared, therefore, to reverse completely the restrictive policies of recent months if a downturn in business activity should become visible. It is clear, however, that they will not reverse present policies simply on the basis of a forecast, hunch, or educated guess that such a decline may start some months from now.

It seems reasonable to suppose, therefore, that as long as the business picture remains strong, present policies will remain in effect, subject to whatever modifications may be necessary or appropriate in connection with financing the substantial cash deficit. I would suggest that the behavior of bank loans will be the most reliable guide to the credit policy of the future. If the seasonal rise which usually occurs in the fall is more moderate than expected, we should look for some relaxation of the pressure on bank reserves. On the other hand, if the rise tends to exceed seasonal proportions, we should be prepared to see the Federal Reserve and the Treasury working together to keep the money market tight and to provide no relief from the keenly competitive conditions prevailing in the capital markets.

**Government Bonds in Generous Supply**

In drawing conclusions from the preceding background picture of the capital markets, the point on which one can be most positive is that Government bonds will be available in exceedingly generous supply. This statement appears true regardless of how the business picture develops. If the present very high rate of activity continues, the debt management policy of the Treasury will be pursued by competing with private borrowers in the long-term market. If, on the other hand, there is some deterioration in the general economic situation, there should be a fairly sharp decline in private borrowing, and the Treasury will be able to extend maturities in a market which would be ready to absorb longer-term issues. Even a modest effort to redistribute the maturities carried by the public debt would result in a very large volume of offerings. On balance, therefore, even the investor who is quite pessimistic about the business outlook should not expect a bull market in long Governments.

A special reason for caution about the present level of prices is the probability that the rise in short-term rates has not yet been completed. With the current high demand for credit, short-term rates should continue to rise closer to long-term rates. This process of adjustment, however, inevitably has secondary effects upon the market for all Government securities. We have seen on a number of occasions that the shifts in short and intermediate rates have had important secondary effects upon the market for long bonds. Unless the anticipated tapering off of business activity comes sooner than I expect, there may well be further unsettlement in the market for long bonds as the adjustment in short rates continues.

It may be, however, that this word of caution is more applicable to the trading desk than the investment committee. The adjustments, still to take place may well prove of quite moderate proportions compared with what has already happened. Furthermore, I suspect that we may be only a few months away from reaching the time when long Governments will prove definitely attractive purchases for the long-term investor.

**Municipals Need More Buyers**

The kind of a market situation created by a record volume of new issues is clearly seen in the resumption of a dismal trend for municipal bond prices during recent months. Despite the fact that present yields are attractive to a

*Continued on page 44*

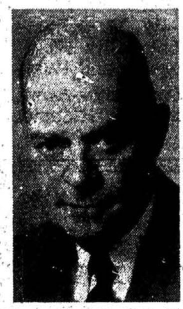
# Building Up Utilities Profits

By J. R. HARTMAN*

Vice-President, The Cincinnati Gas & Electric Company
Chairman, Commercial Division General Committee
Edison Electric Institute

**Asserting under present conditions it is responsibility of a utility to examine what economies can be made to increase return on investment before resorting to rate increases, Mr. Hartman urges each company work up a careful analysis of various types of loads in order to achieve a load which will improve net earnings. Points out this is a factor in improving public relations, and urges more merchandising of electrical appliances. Holds improvement of load factor is major responsibility of sales manager and constant careful analysis of load conditions is required.**

During the first 50 years of our industry, the increased use of our service permitted a long series of rate reductions. It appeared that the utility industry was in the fortunate position of being able to offset the effect of inflation by increased sales.



J. R. Hartman

Following World War II, however, the inflation was so rapid that we found it necessary to seek rate increases. Sales presented no problem because the prosperity resulting from a pent up demand for durable goods increased our output at a rate faster than we could provide generating equipment and it was necessary for us to draw on our reserve capacity which, by the end of the war, had reached 27%.

Before we were able to bring reserve capacity up to normal, hostilities broke out in Korea. The demand for energy rose sharply and material shortages slowed down the installation of generating equipment.

The time is rapidly approaching when we will again have adequate reserve capacity. This reserve capacity will have been installed at a unit cost well above the system average and further rate increases may be required to offset further inflation and to provide a return on this increased investment.

Rate increases which have been granted in the past have been well accepted by our customers because they were in phase with the inflationary trend. The inflation which has been going on for so many years now appears to be checked temporarily and we can anticipate a much less favorable reaction to future rate increases.

As we expand our systems and replace units of generation or distribution with new ones at a higher cost, the system investment per unit of capacity will rise.

**Hold Off Rate Increases**

It is our responsibility to analyze the situation most carefully to determine what steps can be taken to increase the return on the investment before resorting to further rate increases.

Certain economies can be effected by revising our practices in all departments to be sure that all operations are being conducted in the most efficient manner in view of our increased output. Much has already been done along these lines and it is not my purpose to discuss this phase of the question.

The developments which have taken place tend to increase those cost factors which are influenced by kilowatthour output much less than those which are influenced by kilowatt demand.

In most cases the incremental additional investment in distribution system to serve desirable new loads from existing lines is relatively low as compared to the average distribution investment. The incremental distribution and transmission operating cost is also low.

Increased sales of energy for such uses that do not adversely affect the system load factor appreciably will produce increased net earnings and an increased return on the investment.

An aggressive sales program accomplishes many things—

(a) Increased gross and net revenues.

(b) Postpones or avoids the necessity for rate increases.

(c) Provides the growth factor which makes additional investment necessary.

(d) Improves public relations.

It is possible that too little attention has been given to this last effect of an aggressive sales program, namely, improvement of public relations.

We are indeed fortunate to be in an industry the use of whose product produces such wide spread satisfaction. The customer who buys a dishwasher, a dryer or an air conditioner receives such benefits that a kindly feeling toward the company which supplies the energy is most natural.

Then, too, as we carry on an aggressive sales program to encourage the use of appliances, we resell existing owners of these appliances on the many benefits which they receive from them.

The only situation in which increased use of our service does not tend to improve customer good will is that in which an inadequate job has been done. If a store owner relights but installs only half as much light as he should or installs air conditioning equipment of inadequate size, dissatisfaction may follow increased use of energy. This type of situation, however, is also

*Continued on page 46*

*An address by Mr. Hartman before the Twenty-First Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 3, 1953.

# Dealer-Broker Investment Recommendations & Literature

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

**Aircraft Manufacturers**—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

**American Stock Exchange**—Booklet discussing associate membership, eligibility, cost and capital requirements, and outlining commission benefits available to associate members—Department of Admissions and Outside Supervision, American Stock Exchange, 86 Trinity Place, New York 6, N. Y.

**Area Resources**—In Utah, Idaho, Wyoming and Colorado—Booklet—Utah Power & Light Co., P. O. Box 899, Department K, Salt Lake City 10, Utah.

**Beverage Stocks**—Analysis—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

**Electric Utilities**—Study giving data on 88 companies—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.

**Fire & Casualty Insurance Company Stocks**—Brochure—First Boston Corporation, 100 Broadway, New York 5, N. Y.

**High Dividend Payers**—Leaflet—Bache & Co., 36 Wall Street, New York 5, N. Y.

**Inside Story of Outside Help**—Booklet describing Ebasco services—Ebasco Services, Incorporated, Department T, 2 Rector Street, New York 6, 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.

**Utility Stock Analyzer**—Complete data on 75 public utilities—Geyer & Co. Incorporated, 63 Wall Street, New York 5, N. Y.

**Winning in Wall Street**—Ira U. Cobleigh—$2.00—Dept. 5, David McKay Company Inc., 225 Park Avenue, New York 17, N. Y.

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**Aeronca Manufacturing Company**—Analysis—Hecker & Co., Liberty Trust Building, Philadelphia 7, Pa.

**Alabama Gas Corporation** — Bulletin — Leff Bros., 25 Broad Street, New York 4, N. Y.

**Badger Paint & Hardware Stores**—Memorandum—The Milwaukee Co., 207 East Michigan Street, Milwaukee 2, Wis.

**Baker Brothers, Inc.**—Bulletin—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

**Canada Southern Oils Limited**—Bulletin—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

**Central Railroad of New Jersey**—Analysis—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

**Eastern Utilities Associates**—Analysis—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

**Electric Bond & Share**—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a brief review of **Transamerica.**

**Formbrite**—Publication B-39 on Anaconda's new Formbright brass sheet, strip and wire—General Offices, American Brass Company, Waterbury 20, Conn.

**General Petroleums of Canada Limited**—Analysis—Burnham & Company, 15 Broad Street, New York 5, N. Y. Also available is an analysis of **New Superior Oils of Canada Limited.**

**Graham Paige Motors Corp.** — Bulletin — DePasquale Co., 55 William Street, New York 5, N. Y.

**Jujo Paper**—Data in current issue of "Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan. Also available are a brief data on **Ajinomoto, Meidensha** and **Nippon Oil.**

**Lion Oil Co.**—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

**McQuay, Inc.**—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

**Miami Copper Company** — Review — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

**Minneapolis, St. Paul & Saulte Ste. Marie Railroad Company**—Bulletin (No. 129)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Gulf Oil Corp., Mid-Continent Petroleum Corp., Sinclair Oil Corp., Skelly Oil Co.,** and **Standard Oil Co. of Ohio.**

**Minute Maid Corporation**—Analysis—H. A. Riecke & Co., Inc., 1519 Walnut Street, Philadelphia 2, Pa.

**Mountain Fuel Supply Co.**—Special Analysis—P. F. Fox & Co., 120 Broadway, New York 5, N. Y.

**New Britain Machine Company**—Analysis—Bond, Richman & Co., 37 Wall Street, New York 5, N. Y.

**New Calumet Mines, Limited**—Bulletin—L. J. Jackson & Company, Ltd., 132 St. James Street, West, Montreal, Que., Canada.

**New York State Electric & Gas**—1952 annual report—New York State Electric & Gas, 62 Henry Street, Binghamton, N. Y.

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

**Riverside Cement Company**—New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

**Seismograph Service Corporation** — Analysis — Schneider, Bernet & Hickman, Southwestern Life Building, Dallas 1, Texas.

**Sterling Drug Inc.**—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

**Telecomputing Corporation** — Analysis — Hill Richards & Co., 62 South Spring Street, Los Angeles 14, Calif.

**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.**

**Virginia Electric and Power Company**—Annual report—Virginia Electric and Power Company, Richmond, Va.



# THE MARKET . . . AND YOU

By WALLACE STREETE

Investor dissatisfaction with the long-range outlook continues to be made evident. The action of the market indicates that they just cannot see anything exciting over the second half of 1953, and perhaps even longer ahead. Profit-taking has been persistent in everything which has advanced enough to make cash look more attractive than the risk. The earnings which developed these swings in the first place have not changed by significant proportions, but the fear that the general outlook will shift sufficiently for the worse to depress profits appears to have mounted sharply.

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### Consumers Are Optimistic

The factors in the outlook for which the public is responsible, and which it can control, have remained on a stable to rising trend. Purchases by ultimate consumers never have been better. They are demonstrating full confidence in the quantity and stability of their incomes. Bank debits reveal that the level of general business activity is as high as it was at the top of the seasonal peak last December, quite a remarkable accomplishment. If neither business nor consumers are scared, investors must be looking elsewhere for the reasons motivating their steady pressure against the price structure.

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### Tax Picture Depressing

There is only one other place to look, and that is Washington. The expression of confidence in the new Administration, shown by the wide recovery of last November and December, now has been taken back virtually in its entirety. There seems nothing constructive ahead which investors firmly can count upon to help them. General taxes are not going down, and neither is there anywhere in sight any relief from the intolerable burden of double taxation on corporate earnings before they can be spent by the share owners. After a Korean armistice, what can follow but continued tension on the international scene, in any event in sufficient quantity to force armament spending on a sustained wartime basis indefinitely ahead. International aid evidently is to be continued at the rate of many billions annually, to the distress of the taxpayer, without any relief in sight.

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### Contra-Seasonal Selling

Thus the psychology of the marketplace continues adverse. Even the rail shares were dumped last week, directly against the strongest upward trend of net earnings, both at hand and in prospect, of any group in the whole market. The domination of psychological fears over the statistical background is further unusual at this season of the year, for normally from about May to midsummer constitutes one of the few periods which really can be counted upon to produce a good strong uptrend. The fact that the selling has been contra-seasonal adds weight to gravity of the situation.

* * *

### Further Decline Probable

In the thin, regulated markets of today psychological considerations are especially potent. Wide swings without statistical backing not only are possible, but more probable than otherwise. Portfolios sufficiently solid not to be panicked by mob rule, and set up on sound selective principles, should work out satisfactorily in the long run, but there will be many a tough period while the sellers work off their stock. The bottom of the downward development does not yet appear to be in sight.

[*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.*]

## Ira Haupt, Pres. of N. Y. S. E. Specialists

Ira Haupt, head of Ira Haupt & Co., was elected President of the Association of Specialists on the New York Stock Exchange. He succeeds John J. Phelan, of Nash & Co.

Thomas H. Benton, of Benton & Co., was named Vice-President, succeeding Leonard Wagner, of Wagner, Stott & Co.; William A. Coleman, of Adler, Coleman & Co., was elected Secretary to succeed Kenneth R. Williams, at Wagner, Stott & Co., and Thomas W. Bartsch, of Travers & Bartsch, was re-elected Treasurer.

Organized in 1948, the Association's objective is "to promote a better understanding of the functions of the specialists' system and to have closer relationship with those who use the facilities of the Exchange, including all sections of the membership and the investing public."

The specialist has the duty and responsibility of maintaining an orderly market by narrowing the gaps between bids and offers in the stocks in which he specializes. All regular and relief "Big Board" specialists are eligible for membership, and the association now has some 350 members.

## Price, Evans & Co. Formed in Toronto

TORONTO, Canada — Price, Evans & Co., Ltd. has been formed with offices at 366 Bay Street to act as dealers in government, municipal and corporation bonds. Officers are William H. Price, Jr., President, and Jenkin Evans, Vice-President. The new firm is affiliated with Jenkin Evans & Co. Mr. Price was formerly with Mills, Spence & Co. in Montreal.

## Phila. Inv. Women Plan Celebration

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will celebrate the end of their 1952-53 season at the Bala Country Club on Tuesday, June 30th. There will be a buffet and then the club will attend the Playhouse In The Park to see the play "The Male Animal."

## A. B. Newman Now With Scharff & Jones, Inc.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Ariel B. Newman has become associated with Scharff & Jones, 219 Carondelet Street. Mr. Newman was formerly a partner in Weil & Arnold.

### Charles King Admits

On June 4th William H. Schuster was admitted to partnership in Charles King & Co., 61 Broadway, New York City, members of the American Stock Exchange.

### King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich—Luke Arama is now with King Merritt & Co., Inc., 53½ West Huron Street.

# Generating Interest in Utilities

By IRA U. COBLEIGH

*Author of "Winning in Wall Street"*

**Some topical power house comment on the suitability of electric equities for market defense.**

Sustained investment in operating electric utilities equities during the past 30 years would have provided a lot of insulation against the headaches many security buyers have run afoul of. Not that utility commons have been impervious to market declines, because they haven't. They have had, however, a lot of factors pitching for them, that were bound, over the years, to increase earning power, and, in due course, dividends. Among these propelling forces were (and are): (1) steady increase in population; (2) improved plant efficiency and vastly increased capacity; (3) enormous increase in demand (electricity sales have doubled in the last decade); (4) considerate rate treatment by regulatory bodies, based on the concept of a 6% return on fair valuation; (5) virtually no credit losses: either you pay your bill or your plant closes, or your TV set won't even bring in station patterns; (6) aggressive nationwide sales of electric appliances has trebled household juice buying in the last 20 years (television alone has added $200 million a year in KW sales).

Ira U. Cobleigh

In addition to all of these forces for forward motion, utilities have well recognized defensive qualities. Even in a depression, light and power is about the last thing a householder will give up. In 1932, when business generally fell off 50%, electric sales revenues sagged only 13%. A second defense quality has been the relative market stability of utilities under which they tended to sell on a yield basis somewhere between 1% and 1¼% higher than preferreds on the same property (which in turn sold on a 1% higher yield than the bonds ahead). This was roughly the relationship which existed for several years until this Spring, when new and higher government bond interest rates knocked this nice little equation into a cocked hat. Utility bonds went down, the preferreds went down, leaving, for a while, a lot of commons without benefit of their full traditional advantage yield-wise over their seniors. So in the recent weeks we have observed the price erosion and mounting yields of commons portrayed in the accompanying table.

Having taken this bird's-eye current view of the utilities, are we to conclude that the second or defensive platoon quality of these has been overrated; and that assuming some continuance of visibly unbuoyant markets of late, utilities will persist in the tendency of their bids to fade? That's a nice question and the Chairman will gladly accept an answer from the floor. Hearing none, he opines that, here, as most everywhere else in the market, the answer is a selective one. For example, a utility that has been paying out generously, that has failed to build up adequate reserves in new generating capacity, and that will have to go to underwriters for substantial new capital in the next couple of years—that utility is somewhat vulnerable. And of its problems the most important will be the financing. For many companies were able to sell good mortgage bonds on a 3-3½% yield in the 1945-52 era. These same bonds will have to yield above 4% today. And as for the commons, if a given outfit has been paying out 75% and more of net, what lure of a dividend increase can it hold out to a possible buyer of new shares?

I'd rather not get specific about companies falling in the above three-way category. It would be far more constructive to delineate some companies whose foresight in financial planning and generator construction, place them in a preferred position at the moment. It is, of course, true that the nature of electric utilities continuously requires expansion to plant and capital since these companies, being public monopolies, can never make or retain net earnings sufficient to finance required growth. So all must build, and all must, on fairly frequent occasions, sell securities. But some have both retained more earnings and timed their financing and building so that their needs now are less acute. And those are the ones whose common shares ought to perform best at this wobbly juncture on the Dow Jones Chart. Let's see if we can pick out a few.

The first one I really wanted to talk about was Texas Utilities but out of deference to regulations of the SEC no intimate financial facts will be quoted and you are instead hereby exhorted to examine the prospectus covering recent offering of new common shares at 40¼, which offering, I might legitimately observe, no doubt contributed significantly to the decline in Texas Utilities recorded in our table. Comment will be limited to saying that this distinguished company (through its subsidiaries) serves Dallas, Fort Worth, Wichita Falls, and Waco, plus 590 other communities in rapidly growing Texas. Company paid out less than 60% of net in dividends for 1952. Get the prospectus and see for yourself what a progressive watt producer they have, deep in the heart of Texas. American Gas and Electric, at one time the Tiffany item in the Electric Bond and Share galaxy, is the largest electric holding company and now serves a population of over 4,000,000 in an integrated power grid running east from Indiana and Michigan through Ohio, Kentucky, Tennessee and West Virginia, into Virginia. It boasts one of the most progressive managements in the business, presided over by Mr. Philip Sporn. Although this company is about to offer additional common stock, it has provided through earlier financing a greatly increased installed generating capacity—2,858,000 kw. at the 1952 year end. 875,000 kw. capacity is scheduled to be added by the end of 1954.

AGC net income has risen impressively from $18,248,000 in 1946 to $27,340,000 in 1952 during which time gross has doubled. As a dividend payer AGC has an unbroken skein of declarations going all the way back to 1910, with a lot of stock dividends and splitups along the way. If you like quality in your utilities you may want to know more about American Gas and Electric. It nestles in the portfolios of many of the leading investment trusts.

Of the New England companies, a look at Central Maine Power is suggested. It added 60,000 kw. capacity in 1952 which was quite a massive increase, considering the total capacity a year earlier was 295,000. While at 18½, paying $1.20, the yield is roughly 6.5% and the payout of 1952 net, a very high 84.5%, another look is required. For 1952 net results represented only a 4½% return on the rate base here; and clearly Central Maine has excellent reason to expect favorable treatment (closer to a 6% return, that is) from the State regulatory body. Appropriate increase in net would, of course, add protection to the $1.20 dividend and reduce the percentage of payout to more standard proportions. Central Maine, traded over the counter, appears to have attraction on an income basis, and fairly evident defensive qualities.

Houston Lighting and Power paid out the lowest percentage of net in 1952 of any major electric enterprise, a modest 54.3%. Generating capacity was almost doubled in 1952, a factor which should augur well for expanded earnings and bigger dividends in the not distant future. A growing territory, a fine management, low rates and an unbroken record of dividend payments for 31 years give some investment substance to the common here (listed NYSE) selling at 24, paying $1, and yielding a meek 4.1%.

Of the very large companies Pacific Gas and Electric has been given considerably less attention than its size, the territory and expansion of capacity would seem to deserve. At 37¼, the yield today is 5.38% assuming payment of the $2 dividend. For 1952 per share net was only $2.31, so, by our earlier criteria, we ought to slide over this one because of the 86% pay out. Here again, however, is a company definitely deserving rate increase so that it can earn something better than 4.7% on valuation. Given better treatment at the meters, and allowing for earnings from a 40% capacity increase by the end of this year, P. G. & E. would seem to belong somewhere on a sensible investor's shopping list.

Naturally, in a brief kilowatt sketch such as this we can't cover 'em all. Current financial facts might, however, suggest that, in addition to the above, you peruse the pertinent data about Florida Power, Consumers Power, Dayton Power & Light, and Long Island Lighting.

Whether or not market letter writers give the nod to utility equities of this ilk, at the moment, the leaders of this industry see no long-term sag. Quite the contrary. $12 billion in generating plant expansion is planned in the next four years (maybe we'll see atomic electric generation by then). And the report of the President's Materials Policy Commission (1950) predicted that electric power would expand 260% by 1975. Power shares may be good market defenses against a slipping Dow Jones, particularly if residential revenues preponderate. Also, if the territory served is zooming as in Florida, the Gulf South, the Southwest and West Coast, then you might find electric shares unwittingly switching you from defense to offense.

| Company | Indicated Dividend | 3/31/53 Price | % Yield | 6/5/53 Price |
|---|---|---|---|---|
| Pub. Service of Colorado | $1.40 | 30¾ | 4.5 | 26⅝ |
| Cleveland Electric | 2.60 | 51⅝ | 5.0 | 50¼ |
| Commonwealth Ed. | 1.80 | 35¼ | 5.1 | 33 |
| Delaware Power & Light | 1.20 | 24⅝ | 4.9 | 24½ |
| Houston Lighting & Power | 1.00 | 25¾ | 3.9 | 24 |
| Northern States Power | .70 | 13½ | 5.2 | 12½ |
| Tampa Elec. | 2.40 | 46 | 5.2 | 45 |
| Pacific G. & E. | 2.00 | 38 | 5.3 | 37 |
| Long Island Lighting | .70 | 17⅞ | 5.0 | 16¼ |
| Minnesota Power & Light | 2.20 | 38¾ | 5.7 | 34½ |
| Texas Utilities | 1.88 | 45¾ | 4.1 | 40¼ |

## Jos. Dixon Appointed by American Secs. Corp.

William Rosenwald, Chairman of the Board, and E. F. Connely, President of American Securities Corporation, 25 Broad St., New York City, have announced the election of Joseph W. Dixon as Chairman of the executive committee. Mr. Dixon has been an officer and director of American Securities Corp. since joining the organization in 1949.

Joseph W. Dixon

## Wm. Strautmann Joins Field, Richards & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — William E. Strautmann has become associated with Field, Richards & Co., Union Central Building. Mr. Strautmann was formerly Vice-President of J. D. Chambers & Co., Inc.

# Diversion of Stock Block Purchases To Stock Exchange Considered

By HAROLD J. KING, Ph.D

**Dr. King examines new rule of New York Stock Exchange designed to tap over-the-counter market by handling stock block purchases outside usual auction market procedures.**

On June 1 the New York Stock Exchange instituted a rule which promises to affect the securities business to a much greater extent than is generally realized. Its number is 353. The main part of the rule reads:

Harold J. King

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

This rule represents an attempt to divert to the Exchange a portion of the business now being transacted over-the-counter. It was adopted pursuant to the recommendations of the Exchange's Special Committee on Broadening the Auction Market, published Jan. 15, of this year.

Exchange officials point out that the rule is **permissive** in character. It does not place an **obligation** on the specialist. It is to be considered entirely separate from those dealer-function obligations imposed on the specialist by his franchise. Although the transactions provided for by this rule are to be carried on **outside** the normal auction market machinery, Exchange representatives indicate that the object of such business is to improve the auction market, by adding to its breadth and liquidity.

Permission of a Floor Governor for a specialist to engage in an off-Floor purchase of a block of stock is not to be forthcoming unless the Governor "shall have determined that the regular market on the Floor of the Exchange cannot, within a reasonable time and at a reasonable price or prices, absorb the particular block of stock, and that the purchase will aid the specialist in maintaining a fair and orderly market." Such determination is to be based on considerations such as (a) the stock's price range and trading volume; (b) attempts made to dispose of the stock on the Floor; (c) the condition of the specialist's book, and Floor quotations for the stock; (d) the specialist's position in the stock; (e) public interest in the stock, and (f) the number of shares and market value of the particular block.

Exchange officials emphasize that a specialist will not be permitted to retail, or wholesale, off the Exchange a block of stock he acquires in an off-Floor purchase. The Floor Governor's permission for the specialist to purchase an off-Floor block is not supposed to be forthcoming unless it is his **intent** to retail same through auction market. However, the January 15 Report reads: "The Committee believes that the specialist should be enabled to dispose of sizable amounts of stock, purchased for his own account, by employing member firms in the redistribution." Recommendation #9 of the Committee reads:

> "**Off-Floor Trading in Listed Securities:** Amendment of rules and policies so that bona fide distributions of listed securities may be made with the same facility on the Exchange as is possible off the Exchange."

The writer is informed that steps have not yet been taken to ascertain the extent to which member firms may care to participate in the type of distributions envisioned.

The rule is not designed to apply to secondary distributions or special offerings, but to other situations and opportunities which may come to the specialist's attention in his normal course of activities. With permission, though, the specialist may engage in secondary distributions if he is a member of the National Association of Securities Dealers.

Public reporting of the number of shares acquired, and the prices paid for same, by specialists in off-Floor block purchases is not planned. Only as these shares are filtered through the auction market will the ticker be affected.

It is almost self definitive that any action which adds to its volume of business "broadens" the auction market. What is not clear is how this new rule will contribute to that market's liquidity. On the contrary, it would seem, other things being equal, that the liquidity of the auction market would be restricted to the extent the specialist ties up his resources (including credit) in off-Floor purchases. Only in those cases in which the resources enjoyed by the specialist are relatively unlimited would his off-Floor purchases of blocks of stock not have a negative effect on the liquidity of the auction market.

Present regulations require the specialists to have net quick assets equal to the market value of only 100 shares of each of the stocks for which he is registered (equal to the market value of 50 shares, in the case of ten-share unit stocks). As the Federal Reserve Board has exempted him from margin requirements, the "leverage" of the specialist, though, is limited only by the type of arrangements he may make with creditors.

The Special Committee on Broadening the Auction Market recommended "An increase in specialist capital requirements, or alternative financing arrangements, to facilitate specialist dealings." A new committee was established to study this problem, and it expects to report to the Board of Governors on it shortly.

It should be noted that the new rule relieves the specialist of the obligation of clearing his book for a given stock, when he acquires a block of same in an off-Floor purchase. Previously he had been required to fill **at his purchase price** all such purchase orders on his books carrying a bid at or above that price. Exchange officials state this relieves the specialist of the obligation to fill retail orders at wholesale prices.

The new rule should definitely improve the income possibilities of specialists. It cannot mean new business for the securities industry. Its effect in diverting to the Exchange transactions now handled over-the-counter remains to be seen.



# *From Washington Ahead of the News*

By CARLISLE BARGERON

A truce in Korea will not only bring a feeling of tremendous relief to the country; it will take a heavy load off the back of the Republican party, put them back on their feet, give them time to get a good fresh breath and develop some confidence. They have been chafing at the bit, growling at each other, flying off at tangents. They felt restrained and frustrated. They had been out of office for so long and now that they were in they seemed not to be able to accomplish anything.

Carlisle Bargeron

Everything they attempted to do was the subject of criticism by a hold-over New Deal press. It made them fretful. Cabinet officials seeking to effect changes in their departments were pounced on by organized pressure groups with loud cries of injustice and charges of patronage grabbing. On Capitol Hill impatience was being manifested towards the President. The party wasn't accomplishing what it had promised to accomplish. Members of Congress who have got to run again next year were complaining that it was all very well for the President to be counseling against tax reduction at this time because he didn't have to run again for four years. They were taking things in their own hands and this added to the picture of a leaderless, disharmonious party.

With a truce in Korea, the members of Congress—the whole party—will have an accomplishment in hand and one that a few weeks ago few, if any of them, expected to have. They will be able to face the people without any apologies. A tax reduction can wait until next year, until the eve of the elections when the more practical of the leaders think is the best timing for it anyway.

From almost the beginning, the new Administration has been on the defensive. A group of editors who consider they made General Eisenhower President have felt it was their responsibility to nurse him and they were continually harassing him to do what they wanted him to do, couseling him to do this and that, to be "strong," to show his "forcefulness" of leadership. Their campaign in this respect came to a ridiculous head a few weeks ago over the so-called Taft "go it alone" incident. There was not the slightest provocation in the Taft speech, no reference at all to "going it alone." But these guardians of the General nudged him, urging in effect, "Now is the time to show you are boss. Give an 'emphatic no,' to him. It will restore your lost prestige."

The General did this and then it developed he had not read the Taft speech and there was not the slightest justification for his getting his dander up.

The General had seriously doubted the advice he was getting before the incident. You can imagine what he thought when he learned the truth. Nevertheless, there are indications this advice was tending to make the General unsure of himself in his new field.

With the accomplishment of a Korean truce, the President will be in a position to tell these Warwicks that his way of doing things seems to bring results and he thinks it best to stick to it. In short, the accomplishment should bring an end to the captious criticism of the editors and a stop to the restlessness among the Republican members of Congress. It will certainly lift his stock to a high point among the American people. Their attitude will be "Let the President alone; he's doing all right!"

The truce, of course, will not be that glorious victory which brings forth the shooting of fireworks, the playing of bands and dancing in the streets. In fact, the New Dealers will find plenty to criticize about it; there will be charges of appeasement. But the reaction of the country generally will be one of tremendous relief and silent gratitude towards the man who brought it about.

It will reflect an essential difference between the President and his predecessor. He moves quietly without fanfare and without a chip on his shoulder. His predecessor was boistrous and always in a mood to "tell somebody off." One way effected an accomplishment; the Truman way never accomplished anything. Which is the better way?

This shining example of the different ways of doing things should embrace, in the minds of the people, the Republican party as a whole. Here, they have been going along for months apparently getting nowhere. While reports from around the country were to the effect that Eisenhower's personal stock was holding up, considerable disappointment was developing towards the party as a whole. Then without any advance advertising or build up; amid, in fact, a lot of jibes of "We thought you were going to end the Korean War," an armistice comes up!

It will make the sun shine brighter than it has for many years because we have a right to assume that the same even temperament that brought an end to this fiasco will treat with the problems which remain.

### S. N. Gates Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—S. Niles Gates is engaging in a securities business from offices at 210 West Seventh Street. He was formerly with W. Ross Campbell.

### Morgan & Co. Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Cecil G. Gardner, Sr. and Peter Mayer have been added to the staff of Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Mayer was formerly with Edgerton, Wykoff & Co.

### With Wm. R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry W. Colmery, Jr. has become affiliated with William R. Staats & Co., 640 South Spring Street, members of the New York and Los Angeles Stock Exchanges.

### Bethke With Walston

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert W. Bethke has become affiliated with Walston & Co., 550 South Spring Street. He was formerly with Akin-Lambert Co.

# The Price of Gold

By PHILIP CORTNEY*
President, Coty, Inc.

**Asserting revival of free international trade and exchange cannot be attained unless free convertibility of currencies and stable exchange rates, under an international gold standard, are restored, Mr. Cortney lists as problems involved in attaining these objectives: (1) re-establishment of an international currency in which free world can have confidence, and (2) the prevention of a strong deflationary trend of world prices. Says question of "pricing gold is a real issue," and offers arguments for higher gold price. Lays opposition to raising gold price to misunderstanding, and, in conclusion, recommends a price change to $70 an ounce.**

I was asked to state that in my speech today I am *not* expressing the views of either the U. S. Council or of the NAM and still less those of the U. S. Government.

Philip Cortney

Neither are the opinions I shall express personal but those of persons I consider the best brains in the science of money and credit.

The price of gold, while it has been loaded with emotionalism in my country, is an issue which arises as a consequence of paper money debauchery during big wars. It is simply a problem of monetary technique in the restoration of monetary order. There is no room for emotion in such a question.

Some of my friends say that I am recommending a devaluation of the dollar. Let me remind them that the dollar has already been devalued since 1939 by 50% without my recommendation and against my wishes.

I regret to find that so many people confuse the quest for a worldwide rise in the price of gold in terms of all national currencies, with a quest for a devaluation of the dollar.

I wish to make clear that a devaluation of a currency is usually designed to take care of the lack of balance between internal prices and world prices, while a worldwide adjustment in the price of gold is designed to correct a lack of balance within the structure of world prices, as it has proven necessary and inevitable after World War I. It is essentially an international issue.

Besides, I can't ascribe sanctity to the figure of $35 an ounce, as some people do, knowing well that this figure was established by former Secretary Morgenthau in tossing a coin at breakfast time.

The short time available to me for my speech will force me to economize words to be rather dogmatic.

I wish to state clearly and emphatically at the outset that to my mind the price of gold is an issue only if we are determined to stop the monetizing of government debt and restore the gold standard internationally. Specifically I am opposed to a change in the price of gold in order to create convertibility funds or for closing the dollar-gap and still less as a relief to producers of gold.

None of the goals towards which the International Chamber of Commerce are aiming will be attained if we cannot restore the free convertibility of currencies and stable exchange rates. Equilibrium in balances of payments before the first World War was not fortuitous but the result of the gold standard. The voluntary coordination of national monetary policies is no substitute for the international gold standard. Only the gold standard is an effective brake on the electoral demagoguery and irresponsibility of politicians. The chiefs of central banks would have to be heroes to resist at times the pressure exercized on them by governments who wish easy money or want to meet budgetary deficits by monetizing government debt.

*A statement by Mr. Cortney before the Congress of the International Chamber of Commerce, Vienna, Austria, May 20, 1953.

### Two Problems

When we consider the present monetary disorder we are faced with two problems: One is to reestablish an international currency inspiring confidence to the peoples of the free world, and the second is the social and political necessity of avoiding a strong deflationary trend of prices as a result of the checking of inflation. Only gold inspires universal and unqualified confidence. But if we are to restore the gold standard internationally and avoid a strong deflationary trend of prices the price of gold becomes of paramount importance. The problem of the price of gold is essentially international and its readjustment would have to be worldwide. The international adjustment in the price of gold is necessary to correct a lack of balance within the structure of world prices due mainly to abuses of paper money (monetized government debt) during the war. The present level and structure of world prices is not the result of a normal relationship with the production of gold, but the outcome of arbitrary and abusive printing of paper money by governments. As a result of the official American price of gold being fixed at $35 per ounce and of the support of this price in international exchange, the purchasing power of gold itself has reflected the depreciation of the dollar and decreased by 50% since 1939. This happened in spite of the fact that the annual production of gold in the same period has actually decreased, which would normally tend to increase its purchasing power. A readjustment of the price of gold should be made to bring the purchasing power of gold nearer what it would have been if the rise in prices had been due to an increase in the production of gold and not to monetized government debt. The alternative to such a readjustment would be to bring down the level of prices, wages and incomes to what they would have been if the production of gold had remained the same as in 1939 while the production of goods had largely increased. Such a deflation of prices and wages is unthinkable for political and social reasons.

### The Pricing of Gold

Hence, if we are to restore the international gold standard and avoid a strong deflationary trend of wholesale prices, the question of the price of gold becomes a real issue. The reason why the 1929 depression was so deep and prolonged remains a mystery to many people. Essentially, it was due to the fact that the governments of the United States and of Great Britain failed to recognize that the huge paper money inflation during World War I and the concomitant rise of prices made it impossible to maintain the prewar relationship between gold and paper currencies (once paper money inflation had been stopped and the currencies made reconvertible into gold). The governments of the United States and of Great Britain had the illusion that by an expansion of credit they could maintain or restore the pre-war relationship between their currencies and gold and yet avoid a strong deflationary trend of prices. The illusion was shattered by the 1929 depression. I wish to express my conviction, shared by Prof. Charles Rist and other economists, that the 1929 depression would not have been either so intense or so prolonged as it was, if in 1925 the dollar and the pound had been devalued in order to sustain the level of prices reached because of the inflation of the monetary means during the war.

### International Liquidity

While my main argument for a rise in the price of gold in case of a return to the international gold standard rests on what I have just said, I wish to say a few words on the international liquidity. The restoration of balanced international trade and payments requires domestic monetary and fiscal policies compatible with international solvency, and more liberal commercial policies, primarily on the part of the United States. But a country like Great Britain, for instance, should have enough gold reserves for the purpose of balancing a deficit in the external balance of payments until either any temporary difficulty has passed or until the central bank has had time to put into force measures leading again to an equilibrium. This is of course true for all other countries.

It is a fact, however, that the value of world trade has increased enormously since 1938, while the world's gold stocks and current gold output have lagged far behind. (A comparison with 1926 as a base as done in some quarters is improper, because the international liquidity was then unsound, financed as it was by abuses of credit and of the gold exchange standard. Besides, the financing of international trade requires a greater liquidity than in the 20's because of the present monetary disorder, exchange controls, quotas and the consequent large swings in international payments.) The comparison with 1914 is completely out of place because of the great change in Great Britain's position. The value of world trade, which was about $45 billion in 1938, increased to about $158 billion in 1951. Over the same period the world production of gold fell from 32 million ounces to 24 million ounces. Excluding Russia, the gold reserves of the central banks of the world rose from $26,970 million to $35,950 million, a rise of 33% as compared to a rise of 250% in world trade. In 1938, the gold reserves of Great Britain covered nine times their monthly imports while in 1951 they covered them only three times.

In October, 1950, the London "Times" estimated that the gold reserve needs of the whole world (excluding Russia) are about $70,000 million, whereas the existing monetary gold stocks in 1950 were only $33,000 million. Only a substantial rise in the price of gold could increase the gold reserve to make them adequate for the needs of international payments when throughout the world prices and wages in terms of dollars have doubled or trebled, and when the monetary means have more than trebled in the domestic markets. The present lack of international liquidity can only result in a shrinkage of international trade and a constant instability in the balances of payments. A rise in the price of gold to $70 an ounce would double the currency value of the existing monetary gold reserves; the output of gold outside the United States, assuming a recovery of gold output to the 1940 level, could reach an annual rate of about $2,200 million as compared with an actual production of $760 million in 1951 at $35 an ounce. Furthermore, a rise in the price of gold would most probably induce hoarders of gold to sell it to their central banks.

* * *

### Lack of Understanding of "Gold Price" Issue

Why is there such a widespread lack of understanding of the gold price issue among bankers and economists? Professor Charles Rist traces it to the teachings of Ricardo. I venture to ascribe this lack of understanding to two intellectual prepossessions, frequent among English and American bankers and economists, namely, (a) a confusion between money and credit, and (b) a failure to distinguish between the different impact of money versus credit on the long-term movement of prices.

I wish to analyze some of the arguments against a rise in the price of gold.

(1) In its April monthly "Letter" the National City Bank tries to answer the question whether "the gold shortage had caused the great depression." First of all, I object to estimating the situation in the 1920's as one of "gold shortage." What actually happened during World War I is that governments allowed a growth of money and credit greatly in excess of what would have been possible if the conditions regarding convertibility had been maintained. The result was an abnormal rise in prices, without any relationship to the production of gold. The great mistake after World War I was to try to maintain simultaneously the prewar 1914 price of gold in terms of

Continued on page 45

# What the Security Analyst Wants to Know

By MARVIN CHANDLER*
Vice-President, Reis & Chandler, Inc.

**Mr. Chandler points out objectives of analysts are to ascertain both quantity and quality of a corporation's future earnings, and their relation to price of individual securities. Lists and discusses as questions of fundamental importance to these objectives: (1) Effect of Growth; (2) Recession Resistance; (3) Regulation; (4) Operating Factors; and (5) Management Ability. Concludes, no matter how uniform statistical analyses may be, there will always be wide divergence of opinion among analysts.**

It seems to me that aside from so-called special situation analysis, such as a merger or recapitalization, and short run analysis, all the facts for which we as analysts search are needed to solve just two major problems—the quantity of future earnings and the quality of future earnings. Those are the problems that we need your help on. When they are solved, your job is done but ours is not, for we have another factor to consider and that is price—that is, the extent to which the quantity and quality of earnings are already reflected in the price of the security. At that point, the analyst's judgment and experience play a most important part. His final decision now requires a high degree of selectivity, because there are 135 electric utility common stocks in public hands, the vast majority of them of adequate size and quality to fill the needs of almost any investor. And he will decide not on the basis of whether your company's problems are being or give promise of being satisfactorily solved, or whether, perhaps because of some private characteristics or external factors, they are not capable of solution by you, but rather on the basis of whether at the prevailing price of your stock he is getting more or less future earnings, quality considered, than he can obtain in any of over a hundred other issues.

Marvin Chandler

The range of disagreement among us is wide. At a recent meeting of the utility group of the New York Society, 121 analysts filled out questionnaires to determine their first, second and third choices for the most favored utility common stocks. A total of 75 companies were cited, and the ones named the most received only nine first votes. I am sure that no matter how uniform our analytical approaches ultimately become, we shall always have a wide divergence of opinion on the favorite at any one time, and for the industry as a whole, I suspect that that is a fortunate matter.

*An address by Mr. Chandler before the Twenty-First Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 2, 1953.

### Questions of Fundamental Importance

With these introductory remarks behind me let me now turn to those questions which it seems to me are of fundamental importance in reaching the final conclusion as to quantity and quality of earnings, but which we as analysts most need your help in solving. They come under five major headings. There probably are more than five, but these are the most troublesome to me. They are:

(1) The effect of Growth
(2) The Measurement of Recession Resistancy.
(3) Regulation
(4) The Significance of Operating Factors
(5) The Measurement of Ability of Management.

Considering the first of these, I think that growth is a factor that is often over-simplified by analysts. Growth certainly is not always beneficial, for the Pacific Coast has been the fastest growing area of the country, in terms of population, but this growth generally has not carried through to increasing per share results for electric utilities. The telephone industry since the war has had outstanding and continuing growth but the more it has grown, the more it has needed to seek regulatory relief, and earnings per share of American Telephone and Telegraph common have been far below the levels previously attained in periods of high business activity. The result in both cases, may be in spite of the growth in the volume of business, but it has been such a persistent and continuing result that one becomes suspicious that it may have been because of the growth.

Perhaps we should stop here and try to define or at least delimit what we mean by growth. In my judgment the only growth which is significant to the investor is growth in per share earnings. Growth to me therefore is increased earnings per share resulting from an increased volume of business.

Increased earnings per share are not necessarily attributable to growth, and growth does not invariably produce increased earnings per share, as I noted a moment ago. Increasing earnings can arise from rate relief, but that is not growth. Increased earnings can arise from decreased expenses in the absolute, such as a reduction in the tax rate (let us hope!), in the depreciation rate, or a favorable new power purchase contract, but that is not growth. **Decreasing unit** expenses of course may accompany growth sufficiently to raise earnings per share.

Perhaps at this stage, we can stop and frame the question. As I see it, it is twofold, first "What causes growth in per share earnings to accompany an increasing volume of business in some cases and not in others?" The second corollary question is, "How is such growth possible in a regulated industry?" I shall defer consideration of this for the moment.

I would like to see case studies made of the electric utilities which have had the most outstanding growth in earnings per share in recent years, as well as a few which have not, to see just what the causes have been. Has it mattered whether growth was in residential, commercial or industrial business? Which is more advantageous, an increase in customers or an increase in the load of existing customers? What part is played by the form of the rate schedules? Have expenses been an important factor in the difference in performance among different utilities with similar growth trends? Are the good performances merely the result of starting with older and less efficient plant, or with greater reserve capacity throughout the system? Have some companies been able to hold down the new plant investment per new customer better than others?

Now how about the second question, the growth in a regulated industry. It is simple enough to say that growth as I define it is not possible for a utility if earnings start at the allowable level. Why isn't it a fact that no benefit to the shareholder can result if the company is earning 10% on its common capital, its business doubles, its common capital doubles, and it continues to earn 10% on the common equity money invested? I think that I know some of the answers to this question but I would like you to tell me where I'm wrong, tell me other answers, and especially, to tell me which of these theoretical expalanations was the actual explanation in the cases of the companies that have grown the most in the last few years.

We know that the allowable earnings rate is not a fixed point but a range, and that growth within that range is not only permissible but common.

We know that some utilities have earned less than an allowable rate at times, and perhaps growth has carried them out of that sub-normal into a normal range, although more frequently that type of utility has needed regulatory relief to restore its earning power.

We know that selling new shares to finance expansion at a market price above the book value of the old shares will raise per share earnings even though the return in terms of earnings on book value is fixed. For example, assuming that a company is capitalized with $100 of common equity represented by 10 shares, on which it is earning 10%, or $1 per share, and that the shares are quoted at $20 each. Increasing demand necessitates raising another $100 of common capital, so five shares are sold. Earnings at the same 10% rate on the $200 of common equity now, however, will produce $20, which, when divided by 15 shares, results in earnings of $1.33 per share. The old investor has experienced a very satisfactory growth. Moreover, if his earnings are capitalized at the same 20 times rate as before (which of course is very high, and was used only to simplify the arithmetic), then his stock will be selling for $26.60 per share, compared to $20 previously. I suspect that this situation may explain a number of the outstanding so-called growth stocks. Certainly the greater the increases in demand, the greater the expansion, the more stock is sold above the previous book value, and therefore the greater the increase in per share earnings if the rate earned on book value can be maintained.

We know that the same situation would prevail with retained earnings. Let's assume the same company again, with $100 of common capital represented by ten shares earning $1 each and selling at 20. It pays no dividend, but at the year-end reinvests the $10 of earnings in new plant. At the end of the second year, it will have $110 of capital earning $1.10 per share and selling for $22 each. Compare this with a counterpart which pays out all its earnings and at the beginning of the second year finances the $10 expansion need by sale of half a new share. At the end of the second year the $11 of earnings will amount to $1.05 per share, which will sell at 20 times earnings or $21, and together with $1 of dividend received provide the stockholder with the same $22 of value as if all the earnings had been retained. In other words, if funds in the business are capitalized at twice their book value, this will be just as true of new funds left in by stockholders as of new funds supplied by sale of common. The rise in per share earnings, however, is more rapid, the more funds are left in, merely because of the issuance of fewer new shares.

Continuing our search for explanations of growth despite regulation, we know that some states do not regulate on book value, and in a period of rising prices, rising earnings in those jurisdictions might well be permissible.

We also know that some few states do not exercise jurisdiction over rates.

We don't know which of these factors has been the significant one in individual cases of success, nor which you are counting upon to improve your position in the future. Can't we find out?

### Measurement of Recession Resistancy

My second problem was the Measurement of Recession Resistancy. I think that our analysis here is not as thorough as it could be with more help from you. I don't think that study of the 1932 experience is sufficient or even rewarding, when residential usage was a fraction of today's level and when commercial and industrial uses of energy were also greatly different. I want to know first, how stable are revenues. How does the economic stability of your territory generally compare with others? Is industrial diversification a guarantee of better-than-average stability? Are small plants and small firms more or less stable than large in times of recession? So far as the industrial load itself is concerned, how much dependence do you have on one or a few customers or industries? What type of industry are they? What is the nature of your contractual relationship therewith? To what extent would demand charges minimize the reduction in load if business turns downward? So far as commercial and residential business is concerned, how dependent are these customers of yours on general business and business in your territory? To what extent are their current demands frills or nonessentials which can be cut down? How much of a mortality rate can be expected among commercial customers? How much family doubling up or moving to less elaborate dwellings can be expected among residential customers? I realize that you may not know the answers here any better than I, but I think that you are in a better position to study the problem. I wonder, for example, if the experience in some of the distress textile areas a year ago would be of any assistance. What would happen to the farm load which has grown to be of considerable importance to some companies? Do you have any wholesale power sales arrangements which would bear the brunt of reduced demands upon the purchasing utility?

After all these revenue questions are solved, how about expenses? How fixed are yours compared to other companies? Could you shut down much high cost plant which now in effect is supplying your lowest-priced sales? If so, perhaps we should recommend the securities of the company with the least efficient plant which has more to look forward to whether demand rises and the old plants are replaced by low cost facilities, or demand falls and they cease to operate. What about the relative merits of hydro versus steam, comes the recession? Are you purchasing power which can be cut back, or would your contractual arrangement not permit it? How about other expenses? Where else is there flexibility except in that most flexible cost of all, the income tax?

Finally, even if your situation seems less promising than others, are you better protected for it by a large carry-through of revenues to common?

We can answer some of these individual questions ourselves, but I am sure that you could help us to a more factual and comprehensive study of the problem.

### Regulation

My next topic is Regulation. Probably nothing plays so important a part in our thinking and in yours today as this subject. To a considerable extent, you can't tell us the answers. Perhaps in some ways here we can be of help to you.

We are first interested in your attitude, in whether you intend to seek relief promptly, vigorously and completely when earnings drop below a reasonable level, or whether you will hold back. I think that we are often impatient with any course but the first I outlined, and if you do not take an aggressive attitude, we want to know why. You may have excellent reasons for delaying action. Perhaps you can foresee better than we can economic forces which stand a good chance of correcting the situation without regulatory action. You certainly are in a better position than we to judge the proper timing from the viewpoint of public, political and customer relations. I think that many of us are too prone to judge the matter solely from the investors' viewpoint. You can help us to see the other sides to the prob-

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# Building Trends and the Building Materials Industry

By WALTER C. VOSS*
Head of Department of Building Engineers
Massachusetts Institute of Technology

**Prof. Voss points out fundamental changes in economies and in technologies of building construction, which comprise reasonable durability, flexibility for multiple use, and development of facilities to meet obsolescence. Says these changes have brought about new materials, more shop fabrication, and mass production practices which reduce unit costs. Sees increase in use of building services, such as heating, plumbing, air conditioning and electrical services, all of which need continuous modernizing. Concludes "we are on threshold of completely new era of construction."**

In addressing myself to the subject "Significant Trends in Building Construction and Their Effects on the Building Materials Industry," I shall try to point out the major tendencies toward fundamental changes in technology and economics which I believe are gaining considerable acceptance in professional and scientific circles. In doing this I hope I may stimulate discussion which will integrate my concepts of this problem with your duties in guiding the formulation of our industrial and financial structure. These tendencies are interrelated and interdependent and in discussing them separately we must keep their relationships in mind.

Walter C. Voss

These tendencies may be categorized as:

(a) New space and use concepts of design;

(b) Applications of new materials and shifts in the use of old materials;

(c) Re-evaluation of the functions and designs of building services;

(d) Integration of modular planning, standardization and salvage.

All of these may have profound effects on the financing of present and future industrial ventures, but I shall leave this area to your subsequent analysis as we expand the elements of each.

Until quite recently nearly all buildings were conceived as a succession of bays and stories involving the use of columns, beams and floor systems which were more or less dependent on the dimensions of the site, the specific occupancy and the normal economics of structural design. Each project was tied more or less rigidly to prearranged ideas of the owner or lessee and the designer rarely questioned these wishes; he made the necessary concessions to such ideas in order to expedite the project even though he might have wished to revolutionize the entire approach. The owner called upon his own experience and personnel to formulate his ideas and made no serious attempt to analyze his problem from every angle and in complete detail.

### Architectural Changes

Recently, however, the more forward looking owners and many architects and engineers have sought to incorporate in their projects the principles of reasonable life, flexibility for multiple use, and ease of change to meet obsolescence of appearance, services and use. This approach requires divorcement from restrictive bay sizes, story heights, site restraints, and built-in services and equipment for specific occupancies. The thought is being given to the analysis of building occupancies and use to combine two or more such occupancies into types so that multiple use is possible over a predestined period of building life in a given location. Inasmuch as the nature of the construction would vary with these use types, it follows that buildings so built would have lives extending over various periods. The possible occupancies of such a building must be analyzed to determine whether one or more of such uses could be substituted for the original use without fear of industrial or location obsolescence, and the assurance of the economic feasibility of modernization and change within the life of the core of the structure. Such an analysis on several recent projects has resulted in the abandonment of either the site or the original concept of specific use. The country is full of "white elephants" which are plaguing some corporation or lending agency because of a lack of initial consideration of these elements.

### New Materials

As a result of the challenge of this new concept of space and use, many new materials have emerged and many of our older materials have been subjected to serious study to make them applicable to this demand for standardization, ease of installation and change. Thus we find a very definite trend away from heavy masonry walls, partitions and floor systems and the use of lighter weight panels of metals, plastic laminates and processed boards of many materials and compositions. As a result of the introduction of these materials, plastering is rapidly declining in use and the structure is being erected more expeditiously, more cleanly, and more economically from a structural point of view. Correlative costs such as for expensive forms for concrete, stagings for masonry work and wages of some of our highest paid tradesmen are being reduced. Site labor is being replaced by shop fabrication and with sufficient repetitive units, mass production practices can and are reducing unit costs.

This approach is only now gaining momentum, and manufacturers are developing more new panels and assemblages to meet the new concept. Designers are continually expanding their demands for more of the same. This process will accelerate and the time is not far distant when the heavier, more cumbersome, and less economic materials and practices will disappear as the standard approach. Thus brick, stone, concrete, plaster, tile and such materials, at least in their present dual capacity as load-bearing and skeleton bases, will disappear. The only other alternative would be depressed wages and this would destroy the very essence of prosperity. It seems that someone's "dog must be shot" and that technological obsolescence will have to take its toll.

### Use of Building Services

Building services such as heating, air conditioning, plumbing and electrical services are probably due for the most complete overhauling. There was a time when these basic services consumed about 20% of the overall cost; today this percentage has risen as high as 40-50%. This situation is completely irrational and some fundamental change in approach looking toward reduction in cost without any serious loss of efficiency and service is imperative. All of these services are bogged down in the conservatism and dictatorial edicts of the past, and all of them require the use of expensive metals and devices. Not the least of the elements of this cost is the high hourly wage of the tradesmen in these fields, who after all are required to possess unusual skills and who must be able to advance with the technical improvements of equipment and design. While it is true that water and steam must be transported by pipes, air by ducts, and electrical power by wires and conduits, it is equally as true that our pipes, ducts and conduits are obsolete in the light of contemporary knowledge. The multiplicity of sizes, fittings, and techniques will surely be found unnecessary when the present trend really takes hold.

Another phase of this dilemma is the tendency on the part of engineers to bury these services in the rigidly "frozen" structures, making it next to impossible, economically, to make necessary changes. One of the "crying needs" in this field is the principle of "getatability," to coin a word which is now being heard in one connotation or another in many architectural offices. Rigid, threaded piping will have to be eliminated in carrying water supplies, either hot or cold; heavy, cumbersome cast iron soil stacks will be superseded by prefabricated tubing of equal efficiency and more economically fabricated; conduits will have to be studied for multiple uses and change and preferably placed in prefabricated vertical or horizontal panels from which they may be serviced; zonal distribution systems for heating will have to be studied more carefully from the standpoint of cost and changes; and many others.

Air conditioning, as now designed, is probably as uneconomic as any of our services. In many cases a complete plant for cooling and dehumidification not only occupies valuable building volume, but is used only about 15% of the year. Its cost is high; based upon its use factor its cost is prohibitive. Where cooling is necessary all year round the story is more satisfactory, but until air conditioning assumes its true meaning, namely, that of providing comfort and air at all times using the same equipment, we will be spending dollars uneconomically. Many manufacturers are moving in this latter direction, but altogether too much of our air conditioning is in the former category. The advent of air conditioning and cooling packaged units is indicating the trend toward reasonableness, but much research is being done and more must be done before we can install a movable unit in an area when needed and store or remove it when not needed. Air conditioning must and will take on one or the other of these two approaches in the future. The latter approach is more in harmony with the principles of multiple use occupancy discussed earlier.

Perhaps one of the tendencies, which as yet has not moved too far, is that of modular planning, standardization and salvage. These elements are of the very essence of multiple use occupancy and fluidity in the face of the threat of obsolescence. It must be remembered that a building represents a substantial financial investment and should be designed so that this investment will be amply protected. Modular planning when it becomes of age will allow all materials to compete for use when they meet the conditions; it will greatly reduce the time element in design and construction, will allow the development of mass production practices in products; and will greatly aid in ease of installation and coordinated use. The ready adoption by owners and designers of standards for design and construction will further aid this process. Ease of attachment and detachment will aid in the salvage of panels and covering material and will further aid in meeting obsolescence as it impinges on appearance or use.

As previously mentioned all of these tendencies are acting and should be considered concurrently in design. While it would be possible to expand any one of these tendencies to a much greater extent, it is hoped that the groundwork may have been laid for further discussion and questions, some of which I, or perhaps some of you, can answer. Of this I am sure. We are on the threshold of a completely new era of construction, all brought about by the present high cost of construction involving too much site labor and too many practices which are dependent upon old, outmoded techniques.

*An address by Prof. Voss before the Boston Security Analysts Society at the Harvard Club of Boston, Boston, Mass., June 4, 1953.

## Ralph G. Randall With First Securities Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ralph G. Randall has become associated with First Securities Company of Chicago, 134 South La Salle Street, members of the Midwest Stock Exchange. Mr. Randall has recently been with Cruttenden & Co. and prior thereto was Manager of the trading department for Mason, Moran & Co.

Ralph G. Randall

## Hogle Conference

LOS ANGELES, Cal.—Partners and Managers of J. A. Hogle & Co.'s Los Angeles, Beverly Hills, Riverside and San Diego offices held a regional sales meeting this week at the California Club.

James E. Hogle, Managing Partner, and Richard Beck, Partner, both of the Salt Lake headquarters of the firm, and Karl Meyer, Manager of the Denver office, were principal speakers at the meeting, conducted by C. J. Cable, Partner, and J. D. Boggs, Manager of the Los Angeles office.

## Samuel H. Watts

Samuel H. Watts, partner in Ingalls & Snyder, New York City, passed away at the age of 84.

# Business Outlook Dubious In Second-Half of 1953

By W. W. TOWNSEND*

Townsend-Skinner and Company, Inc.

**Mr. Townsend bases his view of a "dubious outlook for business towards end of the year" primarily on mounting public and private debt. Cites heavy increase in corporate borrowing and rapid rise in consumer debts. Says when this credit expansion stops, demand will decrease and nation will be confronted with over-production.**

Contrary to precedent and practice, the conclusion of this discussion will be stated first. It is quite simple. The present outlook for business is good and the outlook for the balance of this year is dubious. An "adjustment," which is another word for recession, within a year is practically inescapable. The reasons for this conclusion — or conclusions — are impelling. They lie in the immediate background of our history, they represent facts already on the record and, while the tendencies which they clearly delineate may be—in fact, should be — reversed, the consequences of what has already taken place cannot be averted and can only be mitigated by the exercise of the greatest caution and conservatism at the present time, particularly on the part of those managing the affairs of our thrift institutions.

W. W. Townsend

The primary cause for this concern is the mounting total of private debt, which differs from public debt in one important particular. It must be paid from earnings or from savings if both the borrower and the lender are not to suffer. Public debt, particularly the Federal debt, can be extended and the government itself can print the money to pay its debts, if needs must and the devil drives. It is the habit of debt creation which has become pernicious and dangerous.

The inflexibility of debt is the only valid criticism which has ever been levied against our system of free enterprise capitalism. However, and in spite of all the lessons of previous history, the entire conspiracy of circumstance during the past generation has contributed to the creation of more and more debt until today the carrying charges alone are a tremendous burden on the taxpayer, the home owner, the wage earner and, in fact, on all of us. And every disaster which has overtaken us in all our history has been precipitated or accompanied by the collapse of an inverted pyramid of debt which has become too great to be supported, has developed instability because of its lack of support, and has toppled over. These are harsh words but the facts are also harsh, enough —in fact—to warrant a considerable degree of apprehension.

### The Mounting Debt

At the beginning of World War II the sum total of our net state, Federal and local debt was a little over $50 billion. At the end of World War II it was nearly $275 billion and stands today at $265 billion. At the beginning of World War II net private debt stood at about $125 billion. At the close of World War II it was $141 billion and today it is $304 billion.

The last statement, by itself, is rather startling but the percentage increases are even more startling. In the eight years which preceded the collapse of 1929, corporate debt increased by 6.3% and individual and non-corporate debt by 5.1%. That burden of debt, of which the most troublesome item was $8½ billion of brokers' loans, constituted the match which touched off the forest fire and brought the whole nation to grief by 1932. It is to be hoped that such a conflagration as that can be avoided, but here are the facts:

In the five years from 1946 to 1951 the increase in corporate debt has been 13.8% and in individual and non-corporate debt 19.8%, more than twice as much in one instance and almost four times as much in another, by comparison with the debt increases of the 1920's.

Another basis for serious concern is the fact that in the eight years from 1922 to 1930 the debt expansion of the corporations of the country represented 60% of the total amount of funds plowed back into business in additions and improvements. In the six years from 1946 to 1952 this was 78%. During the last year this was 80%.

This would be bad enough if it were not for another fact. A little over one-third of the new money being raised by corporations at the present time is not for plant expansion but for working capital. And the sum total of all these facts shows very clearly that business today is going into debt too heavily and for the following reasons.

Part of this has been due to lack of interest on the part of the public in equity purchases, part to the inordinately low rates required by debt financing in comparison to the rates required by equity financing, and part to the tremendous burden of corporate taxes and the simple fact that interest is deductible before and not after taxes. The contributing factors, however, are beside the point. If this keeps up, fixed charges will accrue to such an extent that any decline in overall business volume of any consequence will produce the beginnings of trouble, in the shape of defaults, and those who deal in dollars and in debts know all too well that this is the forest fire to which reference has just been made. Defaults, like forest fires, feed upon themselves until they are burned out or are counteracted.

So much for the corporations of the country. The most pressing problem confronting the managers of the thrift institutions today is the question presented by their rapidly mounting total of new savings and the simple fact that short-term consumer debt has also increased to such an ex-

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*Abstract of a talk by Mr. Townsend before the Pacific Northwest Conference of Savings and Loan Associations, Ogden, Utah, June 8, 1953.

# Coal Seen As Main Source of Energy for Electric Power Expansion

**C. N. Phillips, Director of Research, Ebasco Services, Inc., tells delegates at Edison Electric Institute Convention that future load growth in electric power will be in steam stations using coal, and "steam-electric power must be the main reliance of the future."**

C. N. Phillips, Director of Research, Ebasco Services, Inc., New York, N. Y., told delegates attending the Edison Electric Institute's 21st Annual Convention that steam-electric power and energy must be the "main reliance for the future" if the electric industry is to meet the tremendous prospective requirements for fulfilling its primary responsibility "to furnish at all times an abundant supply of electricity at the lowest possible cost to the customer consistent with good service.

C. N. Phillips

"Fast-moving inflation has made more difficult the successful discharge of this responsibility," Mr. Phillips stated. "So far good management, technological improvements, pooled operations of interconnected systems, and business volume have enabled the elected companies to be the one major industry that has made no material increases in the price of its product. Continuation of this success will require every possible further improvement in efficiency and economy."

To emphasize the extent and scope of the industry and its responsibilities to the nation, Mr. Phillips pointed to the tremendous growth of the energy load to date and to the prospective requirements in 1975 as indicated in the report of the President's Materials Policy Commission.

"The generation of every kilowatthour of potential hydro power—good, bad and indifferent —would supply only a small portion of the 1975 requirement," Mr. Phillips said. "Steam-electric power and energy must be the main reliance of the future."

Noting that 14 steam-electric plants of over 500,000 kilowatts capacity are in service or under construction, compared with four years ago, he emphasized that "increase in size and efficiency of steam-electric generating units has been and will continue to be of great aid in keeping down the cost of electricity."

Cautioning that such factors as location, construction and operations advantages, different labor ratios, and other cost-controlling items will cause specific situations to vary from averages for representative conditions anticipated in the immediate future, the speaker revealed the general findings of an energy transmission study which hypothetically covers distances up to 700 miles, blocks of power up to 3,600,000 kilowatts, and transmission voltages up to 460 kilovolts.

Mr. Phillips listed these conclusions as:

"(1) The economic advantages of large generating units installed in stations of great capacity are so important that their use is indicated wherever load concentrations permit.

"(2) The main reliance to meet future load growth will be in steam-electric stations using coal, and lignite to a limited extent, as their primary fuel.

"(3) Long-distance transmission cannot be justified economically unless the generating station is located, in effect, at a mine-mouth with an assured long-term, low-cost, raw fuel supply.

"(4) The unit costs of transmitting energy electrically are lowered where large blocks of power are to be moved. This factor, combined with high load-factor loadings, tends to bring electric transmission and transportation of raw fuel into closer competition.

"(5) Where long distance transmission is indicated, rail competition and the financing costs of the transmission lines determine the balancing economics.

"(6) The use of types of financing similar to those employed by groups of companies to provide capital to construct large power plants and transmission lines to serve atomic plants would extend the limits of economic transmission distances."

# N. Y. Municipal Club 20th Field Day

Members of The Municipal Bond Club of New York and their guests will travel to Westchester Country Club, Rye, N. Y., June 12, for the Club's 20th Annual Field Day. David H. Callaway, Jr., General Chairman of the Field Day Committee, announced today that the attendance is expected to exceed 325. Copies of the Club's annual publication, "The Daily Bond Crier," lampooning the entire municipal bond fraternity, go on sale at 3 p.m. today at the office of Ira Haupt & Co., 111 Broadway, Room 1200, at $1 per copy. Advance subscriptions have been coming in rapidly, and it is expected that the issue will be over-subscribed.

# John F. Egan Visitor In New York City

John F. Egan, Vice-President of the First California Co. of San Francisco, is visiting in New York for a week calling on dealers, brokers and bankers.

## With Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Atherton F. Messmore is now connected with Samuel B. Franklin & Company, 215 West Seventh Street. He was formerly with Edgerton, Wykoff & Co., and Fewel & Co.

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# The Security I Like Best

tion of further price concessions, which experience is not likely to be repeated in face of two fundamental facts: first, that capacity has been accomplished at much greater cost than in previous years, and second, that long-term growth of paper and paperboard consumption is well assured.

The Albemarle Paper Company is an old company with a brand new outlook on life and viewed from all aspects of the case, its 6% Preferred stock is my favorite security. At current price of 85, it yields a generous more than 7%. The stock is traded in the over-the-counter market.

# A New Look at Utility Regulation

By EUGENE S. LOUGHLIN*

President, Nat'l Ass'n of Railroad and Utilities Commissioners
Chairman, Connecticut Public Utilities Commission

**Asserting a new and fresh look at the regulatory processes for utilities is long overdue, Mr. Loughlin reviews development of public utility regulation, and concludes good regulation or a favorable regulatory climate—not too stringent nor too generous—is important factor in utility management. Holds better, not more regulation is the key to progress and calls for mutually cooperative attitude by companies, Commissions, and customers to cement a stronger utility structure.**

There is probably no more striking demonstration of the success of the American system of government than the solution of the social and economic problems of our public utilities through the invention of the machinery of regulation. There is probably no more conclusive demonstration that an enlightened free people can cope with any threat to their most cherished institutions.

Eugene S. Loughlin

The breadth, the scope and history of the regulatory movement are so great that to deal successfully and clearly with it in this limited time demands that I confine myself to only the most salient aspects. The interests of this distinguished audience, however, are suffecently broad and its familiarity with the subject sufficiently intimate that these necessary omissions, I am sure, will be read between the lines.

*An address by Mr. Loughlin before the Twenty-First Annual Convention of the Edison Electric Institute, Atlantic City, N. J., June 1, 1953.

I have long turned over in my mind the thoughts which I leave with you today, and ever since being honored by the National Association of Railroad and Utilities Commissioners with the duties of its principal executive office, I have dedicated myself to making these thoughts known to the public, and to responsible men in the industry, in government and in the investment field. My purpose is a clear and simple one. It is to dramatize the overwhelming influence which utility regulation—as an instrument of government and as a force of economics—has in our society and the crying need to improve and strengthen this unique institution.

My remarks will highlight some of its most striking characteristics, always with the purpose that through an increased awareness we can improve upon the system. It is my personal conviction that a new and fresh look at the regulatory process is long overdue. Furthermore, it is in the best interest of all the parties—the public, the industry, and the investor.

**Development of P.U. Regulation**

This thing called regulation by organized independent regulatory agencies was the result of the reactions of independent people to the excesses of capitalistic liberalism developing out of the fundamental change in political and economic philosophy following the Middle Ages. From the original reaction to economic oppression, the institution of regulation has matured and its powers have gone far beyond the "thou shalt not" stage. Regulation today has positive powers of initiation as well and can probably be considered indigenous to the English speaking world. During the course of the development of our economic society, various industries and occupations, complex in character and with manifold internal problems, have from time to time come to assume such significance in our national life that a measure of social control of them has become essential. This form of social control was devised in a manner fundamentally consistent with the slow and intricate evolution of the American economic system and with the processes of democratic government. One of these industries is the public utility industry which is affected with the public interest. The control devised is the independent regulatory commission which has built up a whole body of administrative law.

The regulatory agency came into being not as a single comprehensive, philosophical concept, complete in detail, but by a process of empirical growth.

The regulatory process in this country traces its beginnings from the early experience our people had with what was at that time a business bearing the typical economic characteristics of the utility as we know them today. That business, of course, was the railroad. Students of the movement have followed the development back to my own state. As early as 1832, Connecticut had granted a special railroad charter and created a special commission to ensure compliance with its terms. In 1849, Connecticut set up a permanent commission for that purpose, the first permanent railroad commission to be established. Although fundamentally unlike and weaker than the 1869 Massachusetts commission, it was nevertheless charged with the duty of supervision and was directed to report its investigations to the Legislature and to make recommendations concerning compliance with charter provisions and on safety matters.

Of course, the present day commission with its comprehensive powers and responsibilities begins with enactment of statutes in Wisconsin and New York in 1907. The change in emphasis from the almost vindictive and punitive Granger States railroad commissions of the 1870's to the modern commission, conscious of its complementary and pervasive responsibilities of ensuring sound and efficient utility service at reasonable rates, was a more gradual and less clearly marked process.

But the tedium of history has a place only of background in this presentation. Like all background, however, we would lose perspective unless it were in the picture. It does much to explain the present situation of regulation and its growth exemplifies the close identity this social phenomenon has with all our American institutions.

The importance, then, of sound regulation to the public generally, to the industries it regulates, to the investors, small and institutional, and the men who guide them is simply that it has succeeded in preserving for America a free and privately-owned utility and transportations system. It is not without significance that only in America, where regulation has developed to the highest refinement, of all the countries in the world, is the rail transportation system still in private hands. My personal belief is that the governmental reforms will have a most beneficial effect on the regulated utility industry in an overall improvement in the caliber of the regulation under which it operates. More valuable than income tax legislation, more important than labor laws, more far-reaching even than changes in National Power policies, would be the development of better regulation of utilities, properly divided between Federal and State responsibilities, to the point of strengthening public and investor confidence. For, without sound regulation there can be no really healthy regulated company and without good corporate health, the service to the public will suffer.

**A Century of Change**

I have touched on the fact of the growth of the regulatory process. Now, what has been the result of this century of change? Has it been progress? Yes, in an abundant measure, the technique and tools of performing what started as an experiment and stayed to be an institution have been perfected.

But, has that progress kept pace with the jet-like speed with which one revolutionary development crowded the heels of another as this nation came out of the dimness of the sputtering oil lamp into the dazzle of the fluorescent tube? In many cases the answer is "No."

At the outset of an evaluation, we are met by two of the most basic elements in any regulatory

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# More on Picketing

I hope as a responsible citizen, let me set down what I consider to be controlling social and moral principles affecting the right of picketing.

Picketing is a form of freedom of communication and the price we pay for this freedom as for other freedoms in a democracy is that someone's interests may be adversely affected. Moreover, the picketing itself is designed to protect a vital interest of the workers—their interest in decent wages and working conditions. These interests deserve, I suggest, a high priority on any scale of social and moral values in a democracy.

Moreover, picketing which has as its purpose the announcement of the fact that a so-called third party employer is profiting by the sub-standard labor conditions of another employer is also a socially defensible activity. I use the term "so-called third party" because, in context, the third party in these situations is not really a neutral at all. Let us suppose, for example, a situation in which an enterprise is selling goods produced under sweat-shop conditions. The enterprise is picketed by the union whose standards are being undermined by the sale of these products. The owners of the enterprise are profiting by the existence of these substandard conditions. There is, therefore, in these situations a definite unity of interest between the non-union employer and the distributor of the non-union product. The latter is clearly not neutral.

One of the most alarming tendencies, in my view, in the labor relations field is the substantial degree to which the Taft-Hartley law and, even more, state legislatures and courts are eroding the right of peaceful picketing. Perhaps the most significant undercurrent in the present attempt to revise the Taft-Hartley law has been the efforts of pro-sweat-shop forces in low wage areas to secure unrestricted license via the Taft-Hartley law to enact even more stringent prohibitions against peaceful picketing than are contained in the Taft-Hartley law itself. The end object of these efforts is clear. It is to provide inducements to low wage employers by way of shelters against union activity. In this setting the picketing versus property issue is a transparent fraud. The real issue focuses on a drive to insulate these low wage areas from union activity.

Implementing the legislative anti-picketing drive is the increasingly promiscuous issuance of injunctions restraining peaceful picketing by state and local courts. The judges in these courts are making law on picketing based on their private economic philosophies. Indeed the state injunction in labor disputes is being revived as the chief weapon against peaceful picketing and this judge-made law is making a shambles out of the right of picketing. The restraints which these state courts are putting on picketing via the injunction are patently designed, once again in the history of our country, to destroy legitimate self-help weapons of working people. Ironically, these restraints are being enforced precisely in the areas where union organization is most urgently needed to raise working standards.

I cannot believe that restrictions on peaceful picketing can be justified as either good public policy or as good law in a constitutional democracy.

**L. F. LONG**
**President,**
**The Cudahy Packing Co.,**
**Omaha 7, Nebraska**

I, personally, do not feel that the right to picket is essential in making the strike weapon available to Labor effective. On the other hand, I believe that picketing is definitely an infringement on property rights and civil liberties because it is so frequently used in such a manner that it becomes an abuse rather than a privilege.

It seems to me that the right to strike is all the weapon that organized labor needs to protect the workers' rights and enforce legitimate demands of their unions.

**C. M. WHITE**
**President, Republic Steel Corp.,**
**Cleveland 1, Ohio**

Relative to the subject of picketing, I believe that any employee who in a legitimate labor dispute feels that he has been discriminated against by a manufacturer, a store, a bank or a hairdressing establishment has the right to tell his neighbors, his friends or the public the facts of the particular incident and suggest that they deal elsewhere. Equally, any one of these business establishments should have the same privilege of inserting an advertisement in the local paper, carrying a radio program or making talks to its own employees about its side of the particular incident.


C. M. White

It is my belief that when picketing becomes mob violence, completely blocking the entrance to a place of business, when people are clubbed who try to enter a place of business, when the picketers throw stones through automobile windows and generally terrorize a neighborhood, immediate action should be taken by the regularly constituted peace officers to completely disband all pickets.

Proper presentation of the facts is one thing. Violence and coercion are something else entirely. We have seen Communist-dominated picket lines become unruly, stone-throwing, automobile-upsetting, skull-cracking mobs too often in this country. We have too many instances of officers of the law, both city and county, turning their backs on mob violence at its worst. People who are paid to enforce the law and do not do so either through physical inability or moral cowardice should be summarily dismissed. We have thousands and thousands of able bodied men of integrity and courage in this country who are perfectly willing to take on the job of enforcing the law at the existing salaries of people who are occupying the jobs but who are not qualified to hold them. This evil situation should be straightened out forthwith.

**HON. WM. J. BRYAN DORN**
**U. S. Congressman from South Carolina**

I believe that in no case should any plant be picketed during a strike without a majority vote of the Union membership involved. I think this should be written into law. I, also, doubt the wisdom of a Union picketing a plant under any circumstances.


Wm. J. B. Dorn

Picketing does to a certain extent infringe on property rights and civil liberties. A union to warrant its existence should be strong enough and have the confidence of its members to such an extent that picketing would not be necessary. Picketing to my mind, is an admission of weakness and lack of almost unanimous endorsement among the workers of a strike.

I would not go so far as to outlaw picketing by an act of Congress, but I think a law should be passed outlawing picketing except where endorsed by more than two-thirds of the workers involved.

**G. T. BAKER**
**President, National Airlines, Inc.,**
**Miami 42, Florida**

I believe I understand the thinking of both those who favor and those who oppose amending the Taft-Hartley Act to make picketing illegal. To my knowledge, no issue has ever been fairly and satisfactorily settled by a picket line. It is my firm conviction that Labor and Management can and must be partners in operating and promoting the vast industries of the land if our standard of living is to continually move ahead as it should.


G. T. Baker

I do not believe that in this enlightened day and age of generally good relationships between Labor and Management it is necessary to throw up a picket line to secure human rights, and, if the pickets are marching, what about the human rights of the people who are not on strike?

In order to retain the prosperity we all desire, the working man must earn a good day's wage for a good day's work, and I think that in most unionized plants this prevails.

I do not think human rights are involved when, in contract negotiations, the Union and Management are a few cents apart in wage rates. A controversy such as this—as well as all others—should, can and must be settled at the bargaining table by honest, fair-minded men representing both sides.

Management has at times been represented by a few unreasonable men—as has Labor. Up until a few years ago I could be included in that few; but I have changed, I hope.

The most complex controversies between Labor and Management, when they are really partners, can be solved by approaching the situation absolutely honestly by determining "what's right" instead of "who's right."

**RICHARD WAGNER**
**President, The Chicago Corp.,**
**Chicago 3, Ill.**

While I am not in any sense a labor expert, nevertheless as an American I have always felt that the practice of picketing is one of the most un-American actions indulged in by certain of our citizens. I doubt very much that it helps the cause of strikers. To the contrary, I believe it irritates and offends those who believe in property rights and civil liberties. I would have no objection to strikers being permitted to place an adequate notice in a prominent position before struck plants or business institutions. Those who are thus served with such a notice can conduct themselves as they see fit in their relationships with such struck institutions. After all, the issues between a union and a business are matters which should be settled at the conference table. Were I a union man it would, I believe, make me feel degraded and small to be seen stomping around in all sorts of weather with a sign on my back. Furthermore, the violence which frequently attends picket lines does the unions more harm than good. I have had several union men tell me that they, too, feel as I do.


Richard Wagner

**C. A. NORRIS**
**President,**
**Alaska Juneau Gold Mining Co.,**
**San Francisco 4, Calif.**

I have always regarded picketing, as it has been conducted here, as a national disgrace. If union people do not care to continue work under their pay and conditions of employment, they certainly have a right to protest by means of a "strike," but they should not be permitted to prevent or even threaten life, liberty and pursuit of happiness of any American from earning a livelihood by any honest or peaceable means. That may sound a little old fashioned in the light of what has been condoned in this country, either legally or otherwise, for the best part of a half century. It has not altered or changed my views, however, in the least, and I have spent the greater part of my own life as an employee in one form or another.


C. A. Norris

I do not believe that any self-respecting working man relishes the idea of doing so-called "picket duty" either.

Our country has been too long ruled by a handful of irresponsible labor barons; a war economy is the only thing that has prevented complete collapse of our economic structure.

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# Interesting Tax Rulings

**By VICTOR R. WOLDER***

**Attorney and Counselor at Law, New York City**

**Mr. Wolder discusses various aspects of Federal taxation that have come before the courts, among which are: (1) filing amended returns; (2) restraining collection of taxes; (3) property in joint names for estate tax purposes; (4) using a trust for $3,000 annual gift evasions; (5) disallowance of tax deduction for excessive compensation; (6) loss carrybacks in relation to prior year frauds and deficiencies; (7) educational expenses of practicing professional men, and (8) travel expenses between home and business. Calls attention to tax changes now under consideration.**

What are the most recurrent type of cases which come before the United States Tax Court? A study of 9,000 petitions filed in the last 15 months reveals that:

Victor R. Wolder

(a) The Commissioner disallowed deductions for business and non-business expenses in 1,600 cases. Of these, 450 involved travel expenses, 252 involved entertainment expenses and 320 medical expenses.

(b) Dependency credits was involved in 1,050 cases.

(c) Partnership issue was raised in 1,000 cases.

(d) Capital gain and loss issue in 600 cases.

(e) Depreciation issue, in 500 cases.

*Material prepared by Mr. Wolder for an address before the Westchester Bar Association, Tax Section, White Plains, New York, June 8, 1953.

Another type of case which is very frequent, is the right of a taxpayer to deduct as a bad debt a loss resulting on a loan to a closely held corporation of which he is an active officer employee, as well as a stockholder.

### No Right to File Amended Returns

There is nothing in the Internal Revenue Code which says anything about an amended income tax return. Nor is there any right which a taxpayer has to file an amended return. The Courts have consistently held that the first return of the taxpayer is the taxpayer's return. It would be my opinion, however, that if an amended return is filed before the original due date of the return, then both returns will be read together, and the amended return given consideration. In other words, a calendar year taxpayer, who has until March 15 to file a final return, files one on Jan. 30, and then files an amended return on Feb. 18. I would say the amended return is timely filed. If it is filed after March 15, it is not timely; but the Commissioner of Internal Revenue may in his discretion accept it. As one Court pointed out, if amended returns could be retroactive effect even though not timely filed, a false original return could be corrected years later by an amended return. Or, an irrevocable election made in an original return would be modified by the amended return.

If the purpose of the amended return is to reduce the tax assessed on the original return or to exercise a revocable right of election, make sure to file a timely claim for refund. The refund claim is the proper procedure, not the amended return.

### Restraining the Collection of Taxes

Constantly cases come before the Court in which the collection of taxes is sought to be restrained by injunction. The Internal Revenue Code specifically says that "no suit for the purpose of restraining the assessment or collection of any tax shall be maintained in any Court." There are a few statutory exceptions, such as the posting of a surety bond, or where the Commissioner prematurely makes a deficiency assessment other than a jeopardy assessment. It should be kept in mind, however, that the Judiciary will under certain extraordinary and exceptional circumstances invoke injunctive relief, notwithstanding the statutory restrictions. Each case depends on its own facts. Injunctive relief will not be granted on the general principles of equity. The taxpayer "must make out a case of gross and indisputable oppression without adequate remedy at law."

This provision about not restraining the collection of taxes has been held by the Courts as applying only to the taxpayer, the one who is supposed to owe the tax. A third party who claims title to the property which the government seeks to lien, seize or sell, can obtain a restraining order. Likewise, relief has been given in case where third parties claimed priority of lien over the government.

The mere fact that a tax is barred by the Statute of Limitations or is invalid is not sufficient grounds, standing alone, for granting a restraining order. But where the imposition of tax would have destroyed the taxpayer's business, ruined it financially and inflicted a loss for which there would be no adequate remedy in law, the Supreme Court has held such facts to be sufficient.

The unfortunate thing, when a taxpayer is sold out by reason of a tax which is eventually proved to be non-existent or unenforcible, is that the taxpayer cannot recover the full value of the property from the government, but only the amount the government realized on the sale. There is no condition that the government must sell for full value.

### Property in Joint Names for Estate Tax Purposes

It may be said as a general proposition that too many people still are under the impression that if their property does not have to be administered as part of their estate upon their death, that it does not have to be included in their estate for Federal estate tax purposes. Such a view is not correct. To accomplish this incorrect understanding, they will, for example, put property in joint names, with right of survivorship. Thus, a husband will take property in the joint names of his wife and himself, or a person will create a bank account in joint names with some one else, or create a so-called "Totten Trust" bank account. It should be clearly understood that, if property is in joint names or a tenancy by the entirety was created, then the decedent's estate will be taxable to the extent of decedent's interest in the property at the time of his death. Thus, if the decedent had paid the entire consideration for the asset, then its value will be taxed 100% in his estate and, if he paid only part of the purchase price, then his estate will be taxed only on his proportionate share. Now one of the ways to get around this is to do something about it while the decedent is alive. And, if it can be shown by deeds or other appropriate instruments, that the decedent during his lifetime made a definite transfer of an interest in the asset to the other party in whose joint name the asset is, then the decedent's estate will be bailed out. This can be accomplished by creating a tenancy in common instead of a joint tenancy or a tenancy of the entirety. Of course, this is a problem which everyone must deal in his own private way; and so long as there is compliance with the requirements of the gift tax laws, there is no problem.

### Using a Trust for the $3,000 Annual Gift Exclusions

Gift tax laws provide that each person has a right to make gifts in the aggregate totalling $30,000 free of tax. When the person's spouse joins in the gift tax return the amount becomes $60,000, free of tax, regardless of whose property is transferred. *In addition to this*, each person can make annual gifts not exceeding $3,000 each to any number of people, free of gift tax so long as no gift of a so-called "future interest" is made. In other words, a man could make gifts of $3,000 each to his wife, his three children and five grandchildren each year, or a total of $27,000 each year free of

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# Urban Mortgage Lending And Municipal Bonds

By MORTON BODFISH*
Chairman, Board of Directors
United States Savings and Loan League

**Mr. Bodfish calls attention to mutual interests of mortgage lenders and municipal finance officers in supporting real estate values and in expanding tax-base of urban areas. Looks for downward readjustment in building within the next year, and predicts Federal Savings and Loan Associations, therefore, will, when given authority by Congress, invest funds in municipal bonds, thus providing for them an additional channel of investment. Stresses need of good local governments, and foresees no likelihood of collapse in real estate values such as occurred in the 1930s.**

In the savings and loan business, the great bulk of our assets are in institutions located in urban areas, so we have many problems and opportunities in common. Our savings and loan institutions have enjoyed a remarkable growth in recent years, they are holding an ever-rising proportion of the savings in your cities, and they are today responsible for more home financing than any other two groups of mortgage lenders combined.


Morton Bodfish

Our institutions have, in short, become a far more significant part of the financial structure of many communities than ever before. In a very specific way—by virtue of the fact that about 80% of our assets are invested in home mortgages—we have a great and abiding interest in the future of real estate in our communities. Real estate is, of course, among the major sources of revenues to the municipalities which you men represent, although its importance will vary from community to community.

Today I would like to go over some of the ground which serves as a common meeting place between yourselves and the savings and loan associations of the country. There are a number of important points of mutual interest between the men who handle the finances of the government of a community, and the men who run the institutions which have charge of much of the savings and home financing done within a community.

### Stable Realty Values

The first important point of mutual interest is the stabilization of real estate within the community. It is true, to be sure, that we have this interest for slightly varying reasons. You men want to be assured of an orderly receipt of tax revenues, based on real estate valuations, upon which you can project the fiscal operating plans of your local government. We in the savings and loan field, meanwhile, view this stability as the surest means of safeguarding our real estate investments, upon which—in the final analysis—the integrity of our institutions principally rests.

Now, what are the future prospects for stability in the real estate market? **In general, I would say they are quite optimistic.** There is nothing on the horizon that indicates to me that a serious real estate slump is anywhere in the offing.

### Home Building Boom Continues

The postwar home building boom has been of unprecedented proportions. Prior to the present boom, the biggest building year in our history was 1925, when there were 931,000 new housing starts. This mark has been eclipsed for each of the past four years, and will again be exceeded this year. **This year may, in fact, be the second biggest building year since the war because of the impetus given to new construction by the recent increases in interest rates on GI and FHA loans.**

In my judgment, the prospects are good for a reasonably high level of home building in the next few years. I do not, however, mean to imply that the present unusually high rate of building will continue indefinitely. We have built more than 7,600,000 new houses and apartments since World War II and that means, for all practical purposes, that there is no longer a housing shortage. Another factor which will tend to reduce housing demand is the current declining rate of new family formation, mainly as a result of the low birth rate of the 1930s. By the late 1950s, the rate of new family formation will be probably not more than half what it was at the postwar peak in 1948. This will have a profound influence on housing demand, and is certain to affect the volume of new home building.

On this basis, it is reasonable to expect that a downward readjustment in new building will set in probably next year, and will continue through the remainder of this decade. Instead of the current annual production level of 1,000,000 houses or better, we will see a varying range of building of from 750,000 to 950,000 annually through the last half of the 1950s.

### What This Means to Local Municipalities

This will mean, for your purposes, that from 1954 or 1955 on, your residential tax rolls will be expanding at a substantially slower rate than they are today. It means, too, that instead of an annual expenditure of nearly $10 billion for new residential building such as we will have this year, the overall amount spent between 1955 and 1960 will be roughly between $7½ and $8½ billion.

This is the picture as it looks today, and based on the economic factors currently in sight. It could, of course, be changed radically by a war or by devices of the Federal Government, whose influence upon the housing industry is considerable—to say the least.

### Funds for Local Government

A second great point of mutual interest is closely related to the first, and that is **the provision of a regular flow of funds for the functioning of local government.** I need not dwell on the plight of real estate during the days of the Depression. The bottom had dropped out of the market, the mortgage structure had been virtually frozen, real estate transactions and the volume of home building had declined rapidly. Families were unable to meet their mortgages as they fell due, or to pay their local real estate taxes. The result was confusion and turmoil, and widespread foreclosures.

**Frankly, I do not believe there is a chance of this happening again.** Much of the terrible mortgage problem of the early 1930s was due to the almost universal use of the straight, short-term mortgage, the principal of which fell due every four or five years. Today we have the long-term amortized loan (pioneered before the crash by some savings and loan associations) which provides for an orderly month-by-month liquidation of the outstanding mortgage. We have, I think, also licked the inability of cities to collect real estate taxes, which contributed so much to the chaos of the 1930s. Today, more than 85% of our institutions collect these taxes each month and then pay them to the local municipalities for their borrowers. This plan has provided a new source of protection for the borrower, the lender and the local municipality.

### The Future of the Community

Another important point of mutual interest and concern between the finance officers of a community and its savings institutions **may be generally referred to as "the future of the community."** Under this heading, we share many objectives. One of the most fundamental is the desire for adequate financing so that there may constantly be **new building, new development, new progress** in the communities in which we live and work. I think it is safe to say that the growth of the savings and loan business has made it possible for many communities to be virtually self-sufficient so far as residential financing is concerned.

We share also the basic objective of better, more modern and more effective city planning, building standards and zoning. During recent decades (and I speak from experience as a former Vice-Chairman of the Chicago Plan Commission) there has been an unfortunate change in the character of city planning. The change is what might be called a shift in dominance over city planning from the engineers to the sociologists. Instead of sticking to the physical problems of their communities, many of the planners today are more concerned with social issues such as racial relations, public housing, the incomes of various groups, and the like. The result is that actual planning for physical improvement has lagged badly in many cities.

The constant improvement of building practices and standards is another objective we in the savings and loan business share with municipal finance officers. For various reasons, many cities have encountered serious delays and obstacles in revising and modernizing their building codes, and it is a fair statement that these difficulties have helped to block home building in the central city and aided the rise and growth of suburban communities.

### Problem of Curbing Blight

Still another problem we share in common is that of resisting blight and maintaining adequate minimum standards of housing among our residential properties. Savings and loan executives are acutely conscious that if effective safeguards for health, safety and sanitation are not adopted and enforced, **then the value of real estate in neighborhood after neighborhood is threatened.** For yourselves, this is a dollars-and-cents problem, since your tax revenues are promptly endangered once a house, or a group of houses, begins to deteriorate badly. From my own experience in Chicago, I am convinced that if additional funds were spent on doing a good vigorous job of enforcing minimum standards, the cost would be more than offset by higher revenues based on increased valuation.

### Financing for Local Government

I would be remiss, indeed, if I did not emphasize that we have common cause in seeing that there is ample financing for our local governments. I am frank to say that many of us in the savings and loan business look forward to the time when our institutions may be of greater assistance to municipalities in meeting their problems of financing. Our institutions are, after all, local institutions and our funds belong to the people in the community. It is logical, therefore, to anticipate the time when more of these funds may be invested in local government for the improvement of the community.

In almost three-quarters of our states, savings associations with state charters already are permitted to invest in municipal issues. However, Federal associations — with assets comprising about 55% of the business-wide total of approximately $24 billion —so far have not been allowed to participate in these investments. The United States Savings and Loan League currently is seeking this authority, and we are hopeful that it will be granted at an early date. I believe it can be predicted that savings associations will play a more prominent role in financing the operations of municipal government in the years ahead.

Probably this is as good a point as any to point out that municipal governments can help to finance savings and loan associations. As custodians of public funds, you gentlemen are anxious to see these funds prudently and safely invested. With this comment, I commend your attention to the savings and loan institutions in your community if they are eligible as depositories.

### A Common Goal—The Achievement of Good Government

The other great point of mutual interest can, I think, be simply stated. It is the achievement of good government. Such achievement is, of course, the principal objective of your efforts. In our savings and loan field, we recognize that upon good government rests in large part the integrity of our real estate investments, and, in turn, the savings intrusted to us by the people of the community. It is this very practical objective which motivates the work of the Civic Federation of Chicago—which I am privileged to head—and many similar organizations interested in government efficiency and progress, and representing the point of view of the taxpayer.

I have, of course, long believed

*An address by Mr. Bodfish before the Annual Convention of the Municipal Finance Officers Association, Miami, Fla., June 1, 1953.

that an alert and interested citizenry holds the key to better municipal government. In one sense, too, it may be said that the interest and enthusiasm of the public at large serves also as a reward for those career civil servants who are dedicated to their jobs and their work. Admittedly, arousing public interest in local government is no easy assignment. During the last two decades, first because of the Depression and later because of World War II and its aftermath, the attention of the American people has been largely turned to Washington. The trend toward ever-greater centralization may be blamed principally on a continuous period of national crisis; however, all honesty would have us admit this trend has been intensified by the surrender of some responsibilities by the states and cities.

In preparing for this speech, I happened to run across some statistics which I am sure will interest you as much as they did me. They showed that prior to the Depression, the expenditures of state and local governments were more than three times as great as those of the Federal Government. Today, that ratio has been almost exactly reversed, and the national government has expenditures running in excess of three times those of the states and municipalities.

It is possible that we are now about to reverse this trend, and I am confident that all those who believe in strong, effective local self-government will salute such a reversal. Within a few months, President Eisenhower will appoint a special Commission which will look into the various programs in which Federal aid is extended to states and municipalities. I am hopeful that out of this Commission's findings will come a number of recommendations which will serve to help dismantle the vast, sprawling Federal Government and return some appropriate functions and ~~activities~~ solely to states ~~and communities~~. I am convinced, ~~just as I am~~ sure that you men are, that the men in the state and local government are able to administer the public funds just as effectively and efficiently as the men in Federal Government are.

# Praises Flexible Policy of Federal Reserve

**Morris A. Schapiro, New York bank analyst, says action of Federal Reserve in supplying credit to banking system through purchases of Treasury bills makes it apparent that Treasury must do major portion of its financing via commercial banks.**

Speaking in Philadelphia on June 4 at a luncheon meeting of the Financial Analysts of Philadelphia, Morris A. Schapiro, bank analyst who heads M. A. Schapiro & Co., Inc., New York City, declared that the Federal Reserve's action during recent days supplying credit to the banking system through purchases of Treasury bills, recognizes the realities of the situation and demonstrates that its policies continue to be flexible. "It is now apparent," he said, 'that the Treasury must do a major portion of its financing at the commercial banks. And, clearly, the Treasury's requirements must have top priority in the best interests of the economy."


Morris A. Schapiro

A "hands off" policy in a free market on the part of the Federal Reserve would represent an extreme position, as undesirable as a pegged market, Mr. Schapiro told financial analysts. He said that the prospect of the Treasury being forced to compete for funds at the banks in a so-called "free" but ever-tighter money market was intolerable, inviting consequences unsettling for the economy.

Continuing, Mr. Schapiro told the Philadelphia analysts that: "The most important factor in the situation, of course, is the disappointing inability of the Administration to balance the budget this year. And, because of the state of the market, the Treasury is now precluded from further long-term financing. Hence the necessity for the Treasury to do financing at the banks.

"The monetary authorities are already employing their resources to enable the commercial banks to participate in, and thereby insure the success of subsequent Treasury issues. Because of the 'loaned up' position at the banks, and the especially tight situation in New York City, it is apparent that without this assistance from the monetary authorities, banks would be unable readily to absorb the Treasury's new issues.

"The Clearing House Banks in New York City, with high lending limits hold nearly 25% of the country's bank capital. Because of New York's importance as a lending center, the conditions under which these banks operate have a vital bearing on interest rates—a key factor to the Treasury, as well as to private borrowers everywhere.

"But the fact is that the high level of loans of the New York City banks has persisted against a declining deposit trend, reducing their liquidity and intensifying the pressure on their reserve position. Since Dec. 30, 1952, total deposits have declined $1,835,000,000, or 7.25% of the $25,300,000,000 year end total, a decline which is more than seasonal. In the corresponding period of the previous year, the reduction was only $473,000,000, or 1.90%.

"The decline may be attributed to the desire of business concerns to invest their otherwise temporarily idle funds in Treasury bills, as well as to the fact that large sums, borrowed in New York by national concerns are soon drawn down to be spent in other areas.

"Nevertheless, these New York banks face not only further seasonal demands from business, but must participate in the Treasury's financing operations in the months ahead.

"Under these compelling circumstances, the Federal Reserve is reaching for 'middle ground.' It appears, therefore, that the Federal will continue to make funds available for the banking system's requirements during the second half of this year, a period made critical because of the unexpectedly large government deficit.

"One effect of this flexible policy will be to spare the Treasury an otherwise still higher interest rate on each successive issue offered. In addition, business will be enabled to obtain its own essential credit accommodations.

"In view of the Federal Reserve's policy, the question again arises as to whether it might not be timely to lower reserve requirements in New York and Chicago. With deposits in a declining trend, there is general agreement among New York City banks that the existing reserve requirements are becoming more discriminatory."

## Shearson, Hammill Branch

LA CROSSE, Wis. — Shearson, Hammill & Co. have opened a branch office at 125 North Fourth Street under the management of Charles O. Larson. Mr. Larson was formerly with Ames, Emerich & Co., Inc. His association with Shearson, Hammill & Co. was previously reported in the "Chronicle" of May 21.

## With Winslow, Douglas

Winslow, Douglas & McEvoy, 120 Broadway, New York City, members of the New York and American Stock Exchanges, have announced that John de Braganca has become associated with the firm.

# Woodcock, Hess Co. NYSE Member Corp.

Keith Funston, President of the New York Stock Exchange, welcomed officials of Woodcock, Hess & Co., Inc. on June 8. The Philadelphia firm is the first corporation ever to gain admittance to membership in the 161-year history of the New York Stock Exchange. Exchange members recently voted to change the Constitution which had restricted membership to partnership firms only.

Officials of Woodcock, Hess & Co. who were present included Arleigh P. Hess, Chairman of the Board; Harold P. Woodcock, President; William Z. McLear, Executive Vice-President, and William M. Hess, a director. The Stock Exchange membership is held in the name of William M. Hess. His father, the firm's Chairman, will complete 51 years of activity in the securities business next August.

## Cleveland Analysts to Hold Fall Conference

CLEVELAND, Ohio—The Cleveland Society of Security Analysts will hold a "Great Lakes Conference" Oct. 13th and 14th. The program will include forums and management conferences as well as a luncheon and dinner Oct. 13th, and field trips Oct. 14th.

## In New Location

MINNEAPOLIS, Minn.—Keenan & Clarey, Inc. have moved their offices to new and larger quarters in the McKnight Building.

# Now—A Fair Break for Business Under Our Competitive System

By HON. SINCLAIR WEEKS*
Secretary of Commerce

**Lauding return to free competitive enterprise system under the Eisenhower Administration, Secy. Weeks says our economic system is uniquely American, stemming from the original settlers, and although conditions have changed, the rules of the game are the same. Points out competition can be killed "by connivance of the very government which ought to encourage it," and alludes to badly conceived taxes and government inroads into business which should end. Gives assurance Administration will end punitive attitude toward business.**

The American competitive enterprise system is the most productive, the most prosperous and the most humane on earth and in history. It has the inherent power—far beyond Aladdin's magic lamp — to create continually more and more national wealth which everyone may share.


Sinclair Weeks

Yet for more than 20 years our private competitive enterprise system has been misunderstood by government, burdened by government, shackled by government, punished by government and then—ironically—blamed by government for not performing as many miracles as it could have, had it been free.

The change in Administrations changed that attitude. From here on out every group in our economy is going to get a fair break. Already the Eisenhower Administration is stabilizing our money. It is removing controls and other roadblocks to free enterprise. It is releasing the dynamic power of competition.

All of us are counting on competitive enterprise to do a record job. It is of vital importance that businessmen and the public understand exactly how that system operates and how that operation can be improved.

Our economic system is different from any in the world. It is free and private in contrast to a government-controlled economy, or one in which government is a party to cartels, price agreements and division of markets—as is found so frequently a part of Old World capitalism.

There, when we note a low standard of living and low productivity, it frequently is the result of discouraging competition, while here we have encouraged it, and this fundamentally is the strength of America.

The motive power of this system of ours comes from fair but hard competition, which is based on the ability of a private company to satisfy need or desire by producing the most goods and the best goods, at the cheapest price.

### Uniquely American

Our economic system is uniquely American and it stems from the original settlers. Lacking even necessities, the pioneers were forced to become self-reliant to survive. They were so far from the government in London with its class strata, monopolies, and feudal controls that they were free.

As a result, personal liberty progressed rapidly, and there developed an entirely different kind of society—a fluid society. All had limitless opportunity to compete for economic rewards. In the Old World the caste system placed a man at the top or bottom of the heap at birth. He knew his place and he stayed in his place for life. But over here no man of ambition or energy had to remain at the bottom. Every man who reached the top could be pushed off by a more successful newcomer.

That system has been developed to fit modern conditions. But the rules of the game are the same. Fair, tough competition still is the motive power of our fluid economic system.

No American has a divine right to the summit, only his own ability will keep him there. Many a firm at the top a few years ago has slid down-hill and a competitor with a better mousetrap has seized first place.

Industrial research and risk capital have constantly originated new ideas, new tools, new methods and new products. These have created entirely new industries with new sources of investment profit and new jobs.

For all practical purposes, every person over 50 years of age was alive before the first auto or airplane—inventions which revolutionized history. It is accurately estimated that half of our working population is engaged in making or selling things unheard of at the turn of the century.

There should be no limits to the dynamic force of fair vigorous competition, with its opportunities of betterment for everybody. The one way competition can be killed is by the connivance of the very government which ought to encourage it. That is what government has doing for the past score years. That is what government stopped doing on Jan. 20. No other nation has an anti-trust law such as our Sherman Act, passed 60 years ago. It expresses American faith in competition. It is our national pledge to insure effective competition.

Competitive enterprise has been loaded down by heavy and badly-conceived taxes. It has been faced with government competition in an increasing number of fields. It has seen its solemn contracts revoked by a Federal agency. It has been threatened with punitive action again and again by bureaucrats.

I'm here tonight to assure you that that spirit changed with the change in Administrations.

There is plenty of room for improvement, however, and one area where such improvement is indicated is in the field of regulation. When regulation departs from its traditional role and encroaches on the field properly allocated to management, it may well slow down the progress and development of the industries being regulated.

This has happened and as a result, the public has not received the best service at the cheapest price, which otherwise it could have received years ago.

No group has been more unwisely and unfairly treated than the service industries. Yet the railroads, the power and light, the gas industries and those furnishing communications employ millions of workers, dependent for livelihood on the success of these industries, which are vital to all other industry and to the general consuming public.

The way the government has been regulating these service industries reminds me of a gentleman who owned a farm up in my part of the country some years ago.

He had a manager who ran the farm and gave him regular reports on the operation. Now this owner figured that the way to make money on a milk farm was to watch expenses like a hawk. This he did and complained regularly about expenses and particularly about the feed bill, the largest single item.

He finally learned—the hard way—that you don't make milk by stinting on the feed, and the same is true in regulation. If we want service from a service industry, a full diet—in terms of income—is clearly to be desired. And the people, if they understand, would want it this way. They don't go around with the balance sheet of the motor companies, the electric companies, the chain stores, etc., so as to be sure to buy the products of the companies that make the least money.

Nor do you when motoring through the country stop at the most rundown-looking roadside stand on the assumption that the worst looking farm sells the best produce at the lowest price. That philosophy is about on a par with the manufacturer who refuses to buy better machinery in order to reduce costs, but figures he can do it by cutting wages and lengthening hours.

Both are running against the well-established tide of American progress.

### Business Must Be Kept Strong

In regulating utilities and in managing other things, it is cheaper for the public in the long run to have those that serve it well-fed and strong, rather than half-starved and weak. There are ways of getting good service out of the strong. No one can get it out of the weak.

The laws that Congress has passed for the regulation of the railroads, interstate power, gas transmission and communications all are intended to keep those industries healthy and vigorous so that they can render the best service possible to the public at as low a cost as possible in the long run.

For example, the Transportation Act of 1920 says: "The commission shall initiate, modify, establish or adjust rates so that the carriers as a whole will earn an aggregate annual net income equal, or nearly as may be, to a fair return upon the aggregate value of railway property."

From that time until now the average has been below 4%, which no one can consider equal to a fair return, nor has the commission ever initiated rates to improve the return.

The commission itself said in 1937: "In the long run no private corporation can continue to attract private capital unless it is able to market stock as well as bonds. When stock is within the limits of fair property values, it must in the long run be able to yield a reasonable return if the system of private ownership is to work."

This Administration believes that it is the intent of Congress in its approach to regulation to allow earnings which will make the system of private ownership work.

We know and you know that unless the companies rendering service are financially strong, forward looking management cannot put in all the cost-saving devices and improved equipment that will best service the public. The constant wise expenditure of money for new and improved equipment is the way to progress, and companies with small earnings have neither the cash nor the courage to invest heavily in future improvements.

If the regulated industries are to render their full service to the nation, it is my judgment that the regulatory bodies must allow earnings adequate to attract and support the equity capital they can use effectively for economies, improvement and growth. If their credit is thus established, they will be able to obtain from the investing public any necessary borrowed capital. Expensive hand-to-mouth policies can be discarded for long-range programs which will give the country better service and lower costs and make provision for national emergencies.

I say without hesitation that it is essential to the welfare of the country that the regulated utilities be regulated in such a manner as to enable them to attract all the capital that they can use in

*An address by Secy. Weeks before the American Iron and Steel Institute, New York City, May 28, 1953.

making economies and improving service.

### Encourage New Capital in Regulated Industries

One-fourth of the money invested in all industry in this country is invested in regulated industry. At a time when this country is depending on free capitalistic enterprise to defeat the most ominous controlled economy of recent times, it does not make sense for us to control a fourth of our economy so that it cannot compete freely for capital.

And when I discuss the matter of attracting capital, I do not refer solely to the service industries. Industry generally, due in considerable part to tax laws presently in vogue, leans more to borrowed money than to equity capital—a comparatively recent development hardly to be welcomed.

The evidence is clear that if there were some assurance that regulation would not either by delay or refusal prevent earnings sufficient to attract capital, we might reasonably expect the railroads, for example, to greatly increase their yearly expenditures for plant.

The other regulated industries are not quite so badly off, but I should like to call your attention to a report of the Committee on Corporate Finance of the National Association of Railroad and Utilities Commissioners—the association of the state regulatory bodies.

That report points out that 25 years ago we had the greatest governmental prosecution of regulated industries ever undertaken—the holding company investigation—and the evil it found to reform was that the business had too much debt and was controlled by too little stock.

The report goes on to point out that now the commissions are agreeing to or advocating what was then condemned—too much debt and too little equity.

And it says: "The financial dangers of high debt ratios, the importance of good service to the public, and the inevitability of service breakdowns following on the heels of financial breakdowns, have again become matters of serious reconsideration."

This is a very courageous document of the committee of state commissioners. It should have a salutary effect on state regulation. It is also incumbent on the Federal Government to see that its regulation recognizes the facts with equal clarity.

The condition of the utilities is a part of the mess that this Administration has inherited. Unless we also are willing to drift into calamity, we must assure the credit of the vital service industries so that in the long run they can serve us economically and well.

For the last few years these industries have made capital expenditures aggregating approximately $6,288,000,000.

Other than the railroads which, if they had it, would likely spend from $1 to $2 billion additional in the next five years, I have no estimate of how much the service industries would add to this $6¼ billion a year if regulation gave them freedom to compete for money. The others are not like the railroads buying their equipment on a chattel mortgage basis and falling short of their daily needs for lack of money.

On the other hand, the courage and inventiveness that risks great sums for improvements and economies in the future does not naturally emerge from men who have not the credit to raise the money nor assurance that they would be allowed a return on it when their dreams come true.

If we want this fundamental segment of American economy to do its full part in the free world, we shall have to give it a fair break.

I see in the papers from time to time suggestions of a great emergency public works program to stabilize and particularly in times of declining business to strengthen our economy by providing jobs. Public works are naturally an addition to, not the main reliance of the national economy and if we encourage industry generally and particularly work to stimulate the 25% of our free economy which is the service industries, we shall surely put off the day when we have to have recourse to emergency public works and other artificial stimulants.

And this is especially true when considering that public works cost taxpayers money and the capital attracted to the utilities pays taxes instead of adding to them.

We shall always have public works and many are necessary and useful, but there is no reason to hamper private enterprise with a resultant limping economy and end up by having to start a public works program to provide jobs and energize the economy.

### Heavy Industry Requires Government Encouragement

The need for fresh encouragement of business by government is not confined to public utilities. The entire field of heavy industry requires attention. Heavy industry makes the mare go. Its prosperity stimulates prosperity throughout the entire economic fabric.

How should government encourage heavy industry to advance more rapidly? Among other improvements:

(1) By a change in depreciation allowances, so that the shorter years of obsolescence rather than the longer years of wear-out shall be the standard of depreciation. Thus owners will be encouraged to install modern machinery with its higher productivity and lower costs which more greatly benefit the consuming public.

(2) By so wisely and fairly using the regulatory powers of government that the service industries and others will be placed in a position to plow back earnings, attract capital, expand facilities and, through eventual vigorous economic health, be able to give the public better service at lower costs.

The new Administration is removing road-blocks to business—small and large. It is opening wide the door of opportunity for all competitive enterprise to compete. Thereafter business is on its own.

How successfully business uses its new freedom depends largely on businessmen themselves. They have been accustomed to an era of easy money, subsidies, paternalism, government directives and inflation. They have been operating in an allocative era. They are entering a selling era with stiff competition ahead. If business is to enjoy a free market, it must assume the responsibility for making the free market work.

I have this evening discussed competitive industry and I have also discussed the status of the great service industries which generally speaking are not competitive and because of that fact are subject to regulation by our government. I have attempted to point out insofar as regulation is concerned that it must be so conducted as to allow the industries affected to be strong and healthy—and in a position to give the best possible service to the public.

### Reponsibilities of Competitive Industry

Insofar as competitive industry is concerned, competition itself should result in the public receiving the best products that American ingenuity can devise at the lowest price. I would, however, in view of the recent abolition of controls, remind all and sundry that owners, management, and labor all have a responsibility to the general public to show restraint and moderation and to see to it to the best of their ability that our economy stays on an even keel.

The Administration by striving for a balanced budget and eventual tax reductions will relieve some of the financial burdens. But national security and public demand for modern services require modern budgets. Drastic cuts in the $264.5 billion national debt, plus the state, county and municipal debt, are not likely soon.

Apart from everything which good government can do to reduce government costs, the sure way to maintain solvency and to make debts and taxes relatively smaller is for private business to increase the volume of business.

Every businessman knows from experience that if his company can double the turnover in a particular operation, the resultant ability to handle the firm's indebtedness is made doubly easy.

The same principle applies to the Federal Government and the economic system. The sure way to decrease the burden of government debt is by such an increase in production that the national debt and the cost of running the government grow smaller in proportion to rise in national income.

The gross national product today is $361 billion, an increase of $21 billion over the same period last year. Through industrial research, energetic competition, and by increasing the productivity of our superb labor force we must keep it soaring in the years ahead.

The rise of the steel industry and the expansion of agriculture and mining that resulted from the railroad expansion did most to wipe out the indebtedness of the Civil War. The rise of the auto industry with all the new industries indirectly stemming from petroleum and motor cars did much to lower the indebtedness of World War I.

American competitive enterprise can do it again.

New advances in electricity, chemistry, power, atomic energy and their ramified stimulation on old, new, and as yet undreamed of industries, can save this generation from unbearable indebtedness and carry it to a standard of living far above current record prosperity.

We do not need cold war or hot war to maintain our economy at high level. War destroys property and lives. War piles up debts. The margin on war profits is less than on peace profits. The same false logic that imagines a nation becomes prosperous by war thinks a nation becomes prosperous by inflation. Both ideas are fallacies.

The whole war system is founded on human misery and material waste. The best thing that could happen to heavy industry and to the families of America would be the dawn of a just and lasting peace.

But until that bright morning, we must continue to strengthen our economy on which is built the military might that is saving the free world from the horror of attack, defeat and doom.

The times present the greatest challenge of history to all who are part of our competitive enterprise system.

The new Administration is steadily giving you more and more freedom. Use that freedom to give yourselves and your children record prosperity and to keep our country free.



# Public Utility Securities

By OWEN ELY

## Is the Decline in Electric Utility Stocks Warranted?

Utility stocks have disappointed some of their friends recently, but on the whole have not made a bad showing compared with rails and industrials, as follows:

| Dow Averages | 1953 High | June 5 Close | Percent. Decline |
|---|---|---|---|
| Industrials | 293.8 | 268.3 | 8.7% |
| Rails | 112.21 | 103.3 | 7.9 |
| Utilities | 53.88 | 49.4 | 8.3 |

The showing of the utility stocks may also be considered creditable considering the fact that large amounts of common stock have been sold by the electric and gas utilities this year. Following are the amounts in millions of dollars:

| | Electric | Gas | Totals |
|---|---|---|---|
| January | $73 | $3 | $76 |
| February | 54 | -- | 54 |
| March | 33 | 30 | 63 |
| April | 46 | 2 | 48 |
| May | 26 | 79 | 105 |
| | $232 | $114 | $346 |

So far as earnings and dividends are concerned, the electric utilities have made an excellent showing thus far in 1953. Recent weekly statistics of electric output have been showing gains of 12-14% over the corresponding weeks of last year. Monthly earnings compilations for the industry (as released by the Federal Power Commission) lag somewhat, but so far as available have made a good showing:

| | % Incr. over Last Year Total Revs. | Net Income |
|---|---|---|
| January | 9.0% | 13.2% |
| February | 8.1 | 11.3 |
| March | 9.1 | 7.5 |

On a cash basis the figures might be a little better, since deferment of Federal income taxes arising from amortization of defense facilities amounted to $550,000 in February this year compared with $147,000 last year. This cash saving (which most utilities are not reporting as part of their share earnings) will continue to increase over the next year or so.

Despite the rather sharp decline in the market during June, a number of new offerings have been made recently, or are scheduled for early offering, principally through subscription rights:

American Gas & Electric
Public Service of Indiana
New England Electric System
General Public Utilities
Derby Gas & Electric
Texas Illinois Natural Gas Pipeline
Bangor Hydro-Electric
Lone Star Gas
Potomac Electric Power
Rochester Gas & Electric
San Diego Gas & Electric
Southern Natural Gas
Texas Eastern Transmission (Texas Eastern Production)
Western Light & Telephone

Most of these offerings were, of course, originally planned a few weeks ago and because of the cost of preparation could probably not have been easily deferred. It appears likely that new offerings will soon begin to dry up, and this pressure on the market may be relieved during the summer months, helping utility stocks to share in any comeback of the general market.

Several pessimistic forecasts regarding utility stocks have appeared in recent weeks, one of which was reviewed in this column a week ago. The principal argument for a near-term recession in utility prices has been the need of adjusting yields on common stocks to the higher yields now obtainable in senior securities. Such an adjustment has probably now been effected if we consider only the changes of about the past ten weeks. Average yields on utility common stocks have risen from around 5½% to 6%, compared with a rise of about ½% in yields on bonds and preferred stocks. However, the spread between preferred and common stocks has been narrowing for some time—in early 1951 it exceeded 2%—and hence it is possible that a normal relationship has not yet been restored. Just what a "normal" spread is, however, is difficult to determine, because (1) common stocks were abnormally popular in the 1920s and (2) interest rates were abnormally low during most of the period 1935-51.

A number of electric utility companies have increased their dividend rates this year and this, of course, has helped to make the adjustment to a higher yield basis. Thus the several companies which in recent months raised their rates from $2 to $2.20 (Consolidated Edison, West Penn Electric, Ohio Edison and Consumers Power) have substantially taken care of any necessary yield adjustment in this fashion. Additional increases appear likely from time to time as individual companies realize larger earning power through rate increases or operating savings.

In the past few days there may have been a little selling of utility stocks by holders who were apprehensive over the potential development of commercial power from atomic energy. The recent report of Chairman Dean of the AEC about the breeder reactor, and the full-page advertisement of North American Aviation Company in the Monday morning papers headlining the statement "Here Is an Atomic Power Generator that Can Be Built Right Now (for $10 million)" doubtless startled some investors. However, leading experts such as Philip Sporn of American Gas & Electric still remain of the opinion that atomic power is not "just around the corner." Moreover, a number of the utilities are actively at work with the AEC in experimental work in this field, and the industry will certainly not be caught napping. The change-over in generating methods, if and when it comes, will involve only a partial abandonment of generating facilities—similar perhaps to the problem of manufactured gas companies in changing to natural gas. The gas companies have been permitted by regulatory and tax authorities to amortize the cost of conversion (usually over a 10-year period) and there seems little doubt that the electric utilities could make a similar adjustment if necessary.





### Certified Investment Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Certified Investment Co., Inc. is engaging in a securities business from offices at 3337 West Olympic Boulevard. Officers are Harry M. Roman, President; M. J. Cambianica, Secretary-Treasurer; and E. R. Waltreus, director.

# Walter H. Sammis New President Of Edison Electric Institute

**President of Ohio Edison Company chosen at 21st Annual Convention at Atlantic City. Harold Quinton, of Southern California Edison Co., named Vice-President.**

The Edison Electric Institute, at its 21st Annual Convention held in Atlantic City, N. J., on June 4, elected Walter H. Sammis, President of the Ohio Edison Company of Akron, Ohio, as its President, and Harold Quinton, Executive Vice-President of the Southern California Edison Co., as Vice-President for the ensuing year.

Walter H. Sammis

Harold Quinton

Mr. Sammis, the new President, who served last year as Vice-President of the Institute, is also Chairman of the Board of Directors of the Pennsylvania Power Co. He has been identified with the electric light and power industry throughout his entire business career.

Mr. Sammis attended public grade and high schools in Hempstead, N.Y., and then obtained an electrical engineering degree in 1917 at Columbia University. Immediately following his final examinations, he enlisted in the First World War as a machinist in the Navy, later becoming an ensign. After 28 months, he was released from active service and spent a year as an instructor in electrical engineering at Columbia University.

In 1920 Mr. Sammis joined Consumers Power Company, serving in various engineering and sales capacities. Following a short period of association with C. H. Tenney & Company of Boston, Mass., on power sales, and rate analysis work of utilities in New York and New England, he returned to Consumers Power in 1920 and was elected a Vice-President and Director of that company in 1932 and the following year was named to serve in the same capacities for Ohio Edison Company and Pennsylvania Power Company. In 1936 he became President of Pennsylvania Power and two years later was made a Vice-President and Director of Commonwealth & Southern. In 1944 he resigned from Commonwealth and also from Consumers to accept the Presidency of Ohio Edison, at Akron. In 1950, he became Chairman of the Board of Pennsylvania Power Company.

### The New Vice-President

Harold Quinton, the newly elected Vice-President of the Edison Electric Institute, has been an officer of Southern California Edison since 1942 when he was elected Vice-President in Charge of Finance. He was named a Director of the company in 1945, Executive Vice-President in 1948, and a member of the Executive Committee of the Board of Directors in 1949. He is also a Director and Vice-President of the Los Angeles Chamber of Commerce and a Director of the California Bank, Pacific Mutual Life Insurance Co., Pacific Coast Electrical Association, and Edison Electric Institute.

A native of Topeka, Kan., Mr. Quinton attended Topeka High School, Washburn Academy, and Northwestern University. Following three years in the United States Army during World War I, he served for six years with the Treasury Department in Washington, D. C., and for 16 years as a partner in the firm of Arthur Andersen & Co. before becoming associated with Southern California Edison Co.

## Chicago Bond Traders To Hold Annual Outing

CHICAGO, Ill. — The Bond Traders Club of Chicago will hold their 27th Annual Field Day, Saturday, June 27, at the Nordic Hills Country Club, Itasca, Illinois. Guest fee, $15.00.

Events of the day will begin at 8 a.m. for golfers. The golf tourneys are in charge of William Landerson, Lee Higginson Corporation, and Paul Bax, First Boston Corporation. Prizes for members will be 1st and 2nd low gross; first 3 low net (Peoria) and a special short hole prize.

For guests, prizes will be awarded for low gross and low net (Peoria).

Baseball is in charge of Charles Scheuer, Dempsey-Tegeler & Co., and will start at 2:30 p.m.

Clubhouse in charge of Harold A. Madary, Geyer & Co. Incorporated.

Reservations should be made with John Pollock, Swift, Henke & Co.

### With J. Lee Peeler

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C. — Henry P. Leighton has joined the staff of J. Lee Peeler & Company, Inc., Trust Building.

## Milwaukee Bond Club Annual Field Day

MILWAUKEE, Wis.—The Bond Club of Milwaukee will hold their annual field day and picnic at the Oconomowoc Lake Club and Oconomowoc Country Club June 19. Tariff for guests $10; further information may be obtained from Gilbert Vonier, Paine, Webber, Jackson & Curtis, General Chairman.

Golf matches will be under the direction of George Struck, The Milwaukee Company, and William Bosse, Loewi & Co.; cards, F. A. Newton, Loewi & Co.; baseball, Lyle Hamann, Central Republic Company and Tom Twitchell, B. C. Ziegler & Co.

Free lunch will be served from 11:30 to 1:30 p.m.

### Joins Arthur Fels

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — David Kramer is now with Arthur Fels Bond & Mortgage Co., 1004 Grand Avenue.

### With McGhee & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Jefferson H. Ware has joined the staff of McGhee & Company, 2587 East 55th Street.





# Newspapers

By ROGER W. BABSON

**Mr. Babson describes the World's Greatest Revolving Globe at Babson Park, Mass., which he has dedicated "to the newspapers of the Free World." Says newspaper publishers have not been appreciated and are entitled to far greater respect and consideration than they have received.**

The future of the Free Nations of the world depends upon four foundation stones: (1) We Parents; (2) Our Churches; (3) Our Schools and Colleges; and (4) Our Newspapers. My appeal today is for greater support for all newspapers of the Free World. In view of the above, the Babsons have distributed their surplus savings for awakening the churches, through the great Open-Church Movement; speeding college education, through Babson Institute, Webber College and Utopia College, and now dedicating this World's Greatest Revolving Globe to the newspapers of the Free World. I feel that newspaper publishers have not been appreciated when they are entitled to far greater respect and consideration. They certainly are more important to the future of America than are the bankers, the manufacturers, and the shopkeepers. Newspapers not only have the opportunity of guiding their nation's leaders, but they are a great factor in electing the right leaders. The advertising columns of these papers determine the employment conditions of the country; while the editorial writers determine largely what the preachers and teachers say.

Roger W. Babson

When I mention newspapers I include everyone connected with them, including the woodsmen who cut the trees; the mill workers who turn the logs into pulp, and make the paper and ink; the publishers and their reporters, writers and printers; and, in fact, all employees, including the boys and girls who deliver the papers. Yes, and I must not forget the advertisers, without whom our whole industrial system might collapse. To all these I am dedicating this—"The World's Largest Globe."

### The Great Globe Described

This "Great Revolving Globe" is being located on the 300-acre campus of the Babson Institute at Wellesley, Massachusetts. It is 30 feet in diameter and weighs with the shafts 37 tons. The countries and cities are located on a scale of 24 miles to the inch, and the Globe will designate the home of the newspapers of 400 cities from which 95% of the population of the United States, Canada, Latin America, Great Britain, France, Italy, West Germany, and the other Free Nations are reading. Copies of these and others, including the "Commercial and Financial Chronicle," are being deposited in a concrete vault under the cornerstone, upon which will be bolted a bronze plaque with the following inscription:

"This plaque is dedicated to the Newspaper Publishers of the Globe and all persons in their employ. May their work be appreciated, their freedom be protected and their great responsibilities be realized. Only they can bring the nations of this Globe into One United World.

—ROGER W. BABSON."

The Dedication was on Memorial Day.

## Armstrong, Sullivan Join Estabrook Co.

Estabrook & Co., 40 Wall Street, New York City, members of the New York and Boston Stock Exchanges, announces that William B. Armstrong and A. A. Sullivan are now associated with the firm in its sales department.

Mr. Armstrong was formerly in the sales department of Kidder, Peabody & Co., and Mr. Sullivan was formerly in the municipal bond department of White, Weld & Co.

### Joins Fahnestock

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Philip Susman is now connected with Fahnestock & Co., 205 Church Street. He was previously with Eisele & King, Libaire, Stout & Co.

## Lewis (Hank) Serlen Celebrates on June 1

Lewis (Hank) Serlen, Joseph thal & Co., New York City, celebrating his birthday on Jur 17th. Mr. Serlen is tha rarity a nativ New Yorke having bee born her June 17, 190 On June 9 h also cele brated hi twentieth yea with Joseph thal & Co. i the tradin department. In Wal Street fo more than 2 years, Mr. Serlen is a director of the Security Traders Associatio of New York, and a Thursda night regular with the STAN bowling league. He also plays go and softball and is a Dodger rooter.

Lewis H. Serlen

### With Roman & Johnson

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Mr Mildred C. Johnston has joine the staff of Roman & Johnson, 23 Southeast Fifth Avenue. Mr Johnston was previously wit A. M. Kidder & Co.

### Edw. A. Viner Adds

(Special to THE FINANCIAL CHRONICLE)

BANGOR, Maine — Thomas Leeds has joined the staff of Ed ward A. Viner & Co., 22 Stat Street.

*Continued from page 4*

# Restrictive Credit Policy And the Banking Outlook

capital requirements should be measured in reasonable relation to its risk assets, in which category loans and securities are included. More and more it is recognized that the net worth, or capital structure, is the true basis of a bank's size, and indicates its intrinsic strength. As bankers, we quite generally apply that rule in our own analysis of credit worthiness of our customers. The Government has been too slow in creating an atmosphere whereby taxation as applied to banks is favorable to building stronger financial institutions. A more considerate view of the amount of retained earnings of banks after taxes is desirable, and is also in the best interest of our country.

While some progress has been made in increasing the capital structures of many banks throughout the country, the over-all trend in building adequate capital structures has been too thin and spotted. As I view the situation, accomplishments to date are quite modest and inadequate, as contrasted with the substantial increase in the capital structures of our banks that should take place. The increase is essential in order that banks might be able to fully discharge their responsibilities to our Government and to our people. Banking must be strengthened, preserved and enhanced in the years ahead so as to faithfully fulfill its important place in our economy.

Since I have referred to the inadequacy of equity capital in banking, this might be an appropriate occasion to suggest to American business generally that it also has not maintained its own equity in as strong and sound position as is necessary to protect its interests, as well as those of its shareholders and owners. Business has resorted to borrowed money in too many instances when provision should have been made for all or part of its requirements in the equity markets. We have had a fairly satisfactory equity market over a long period of time, and money has been available to sound business in equity shares on favorable terms. In numerous instances the reluctance of business concerns to utilize the equity markets has been influenced by the policies of our National Government, and is reflected in the provisions of the Excess Profits Tax, etc., which appeared to result in some advantage to borrowed capital as contrasted with equity capital. In testifying before the House Ways & Means Committee just this past Monday, Secretary of the Treasury Humphrey referred to the Excess Profits Tax as a "bad" tax. He also voiced agreement in referring to it as a "vicious" tax. If it is that bad, and I think it is, we should not interfere with its expiration on June 30. Business would be much better off to maintain itself in a sound position in the relationship of its own net worth to its over-all operations and commitments, regardless of profits that might accrue through consideration of temporary tax benefits. Conditions could prevail under which heavy term debt of business would seriously endanger its fundamental credit position, its very solvency, as well as a safe position of its shareholders.

### Business Should Improve Its Financial Structure.

Business generally should reexamine its own financial structure, with a view of maintaining its statement in a proper and strong relationship to its total volume of business, its general exposure in market fluctuations, with particular emphasis on adequate net worth, to safely and conservatively meet its responsibilities through changing conditions in our economy that result in good and bad times. A stronger banking system and stronger American business will stand this country in good stead to meet the great opportunities and responsibilities envisioned in the future.

On the whole, there is a feeling of hope and confidence by Government. business and banks in the steady progress of our nation. Ours is a country of growth. New frontiers of industry and commerce are constantly being developed and a dynamic banking system must stand ready to provide the sound credit necessary to make that growth possible.

In meeting our essential responsibilities as bankers, the exercise of caution is a wholesome influence in making the growth a healthy one. Our country has been unmistakably encouraged by the changed political atmosphere; and along the line there is evidence of hope and faith in our ability as a nation to move steadily forward. A strong banking structure is vital to all people. The challenge and opportunity to American banking is to make its contribution in a sound, constructive and orderly manner to the steady growth of our nation. I have full confidence that American banking will discharge that responsibility with great credit to itself, and to our country.







## William A. Schroeder

William A. Schroeder passed away of a heart attack. Mr. Schroeder had been associated with Thomson & McKinnon, New York City, since 1919.

## R. D. French Opens Own Office in Houston

HOUSTON, Tex.—R. D. French has opened offices in the Esperson Building to engage in a securities business. Mr. French in the past conducted his own investment business in Houston and has recently been local manager for Shearson, Hammill & Co.

## Hooker & Fay Branch

SAN MATEO, Calif.—Hooker & Fay have opened a branch office at 205 Fourth Avenue, under the direction of Edwin E. Hendrickson and James T. Love.

## New Sparks Office

ASBURY PARK, N. J. — J. W. Sparks & Co. have opened a branch office at 1400 South Wanamassa Drive, with Henry Offerman as representative in charge.

## With Winslow, Douglas

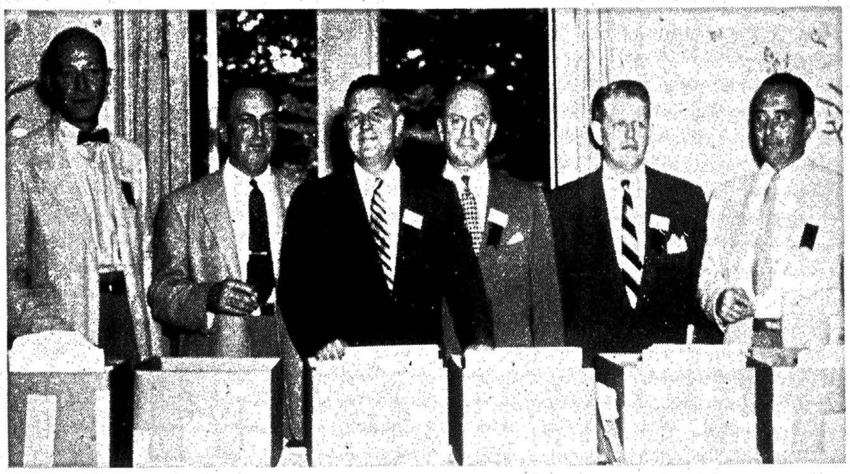
Winslow, Douglas & McEvoy, 120 Broadway, New York City, members of the New York and American Stock Exchanges, announce that Herbert W. Klotz and Thomas Throm have become associated with the firm.

## Eastern Securities Succeeds Warner Co.

T. J. Moynahan

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, has been succeeded by Eastern Securities, Inc. Officers of the new corporation are: Theodore J. Moynahan, President; Robert Laffan and Alexander W. Moore, Vice-Presidents; and William Esser, Secretary - Treasurer. Mr. Moynahan was formerly Vice-President of J. Arthur Warner & Co., Inc. Mr. Laffan was President of S & L Reports Inc.

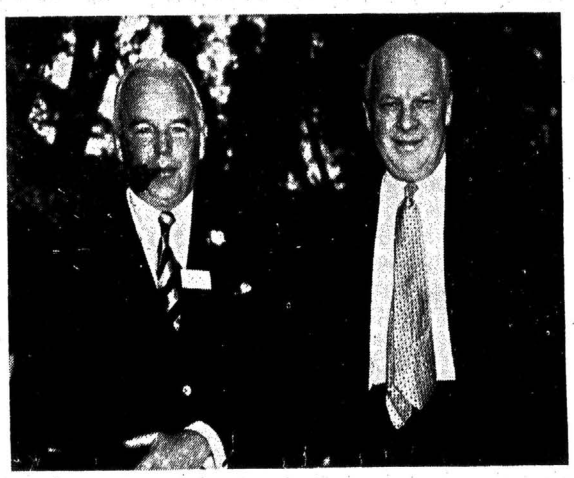
# Bond Club of New York



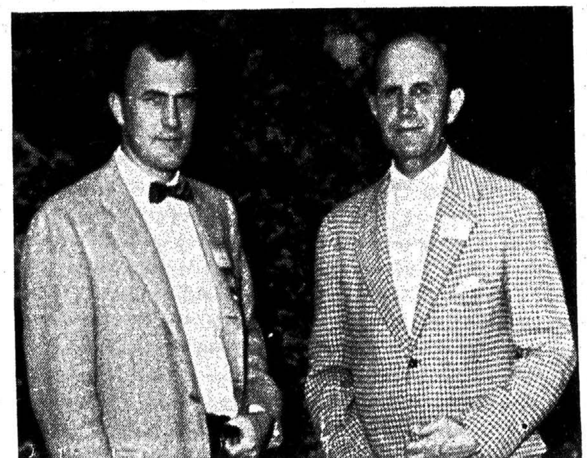
Ernest W. Borkland, Jr., *Tucker, Anthony & Co.;* Middleton Rose, *Laird, Bissell & Meeds;* Calvin M. Cross, *Hallgarten & Co.;* Robert G. Dillon, *Dean Witter & Co.;* Ira B. MacCulley, *Equitable Securities Corporation;* George E. Clark, *Adams Express Co.*

David McElroy, *J. P. Morgan & Co. Incorporated;* Walter F. Blaine, *Goldman, Sachs & Co.;* Frank Kernan, *White, Weld & Co.;* Ranald H. MacDonald, *Dominick & Dominick;* Duncan R. Linsley, *First Boston Corporation;* Hugh Bullock, *Calvin Bullock*

Gerald E. Donovan, *Moore McCormack Lines;* George W. Bovenizer, *Kuhn, Loeb & Co.*

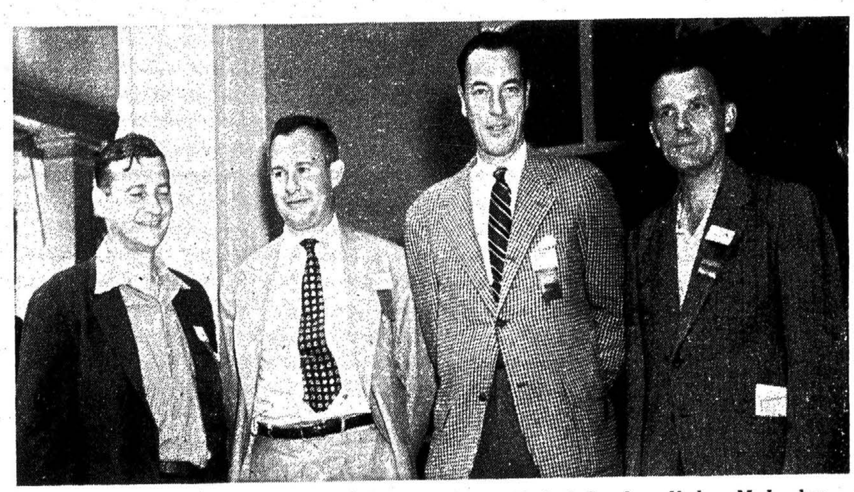


Bill Long, *Doremus & Co.;* Lee Limbert, *Blyth & Co., Inc.*

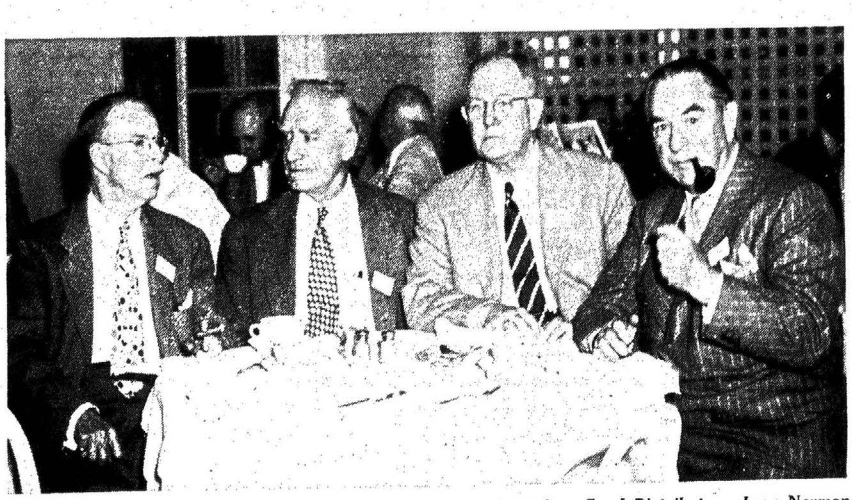


Dean Witter, Jr., *Dean Witter & Co.;* Austin Brown, *Dean Witter & Co.*

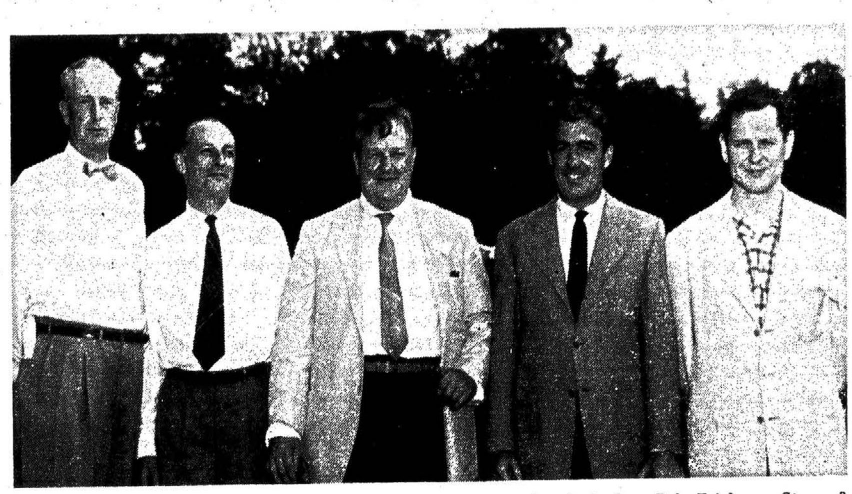
Richard A. Woods, *Merrill Lynch, Pierce, Fenner & Beane;* Wright Duryea, *Glore, Forgan & Co.;* Edgar J. Loftus, *R. S. Dickson & Co., Inc.;* Joseph Iglehart, *W. E. Hutton & Co.*



P. Scott Russell, *Glore, Forgan & Co.;* Eddie Glassmeyer, *Blyth & Co., Inc.;* Hudson M. Lemkau, *Morgan Stanley & Co.;* James J. Lee, *W. E. Hutton & Co.*



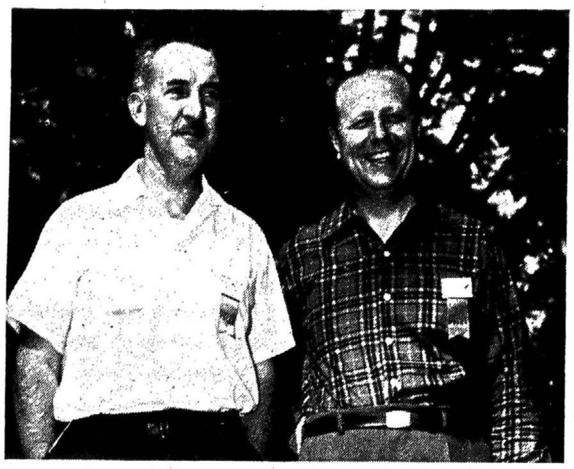
Ralph S. Allen, *Laird, Bissell & Meeds;* James W. Maitland, *Hudson Fund Distributors, Inc.;* Norman P. Smith, *Merrill Lynch, Pierce, Fenner & Beane;* Louis H. Ingraham, *L. H. Ingraham & Co.*



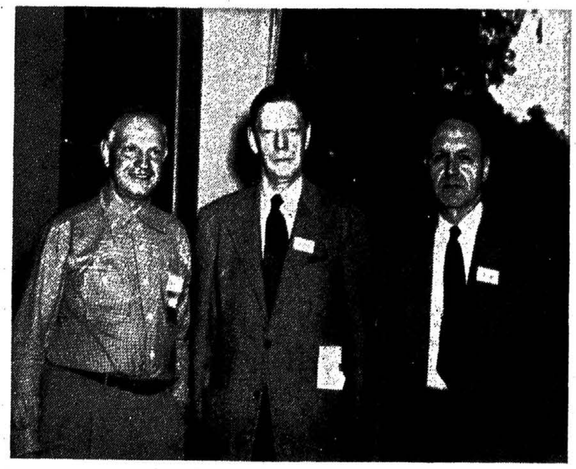
Gene McMahon, *Heller, Bruce & Co.;* G. Norman Scott, *Estabrook & Co.;* Bob Erickson, *Stone & Webster Securities Corp.;* Al Stalker, *Kidder, Peabody & Co.;* Albert F. Donohue, *Kidder, Peabody & Co.*

# Twenty-Ninth Annual Field Day

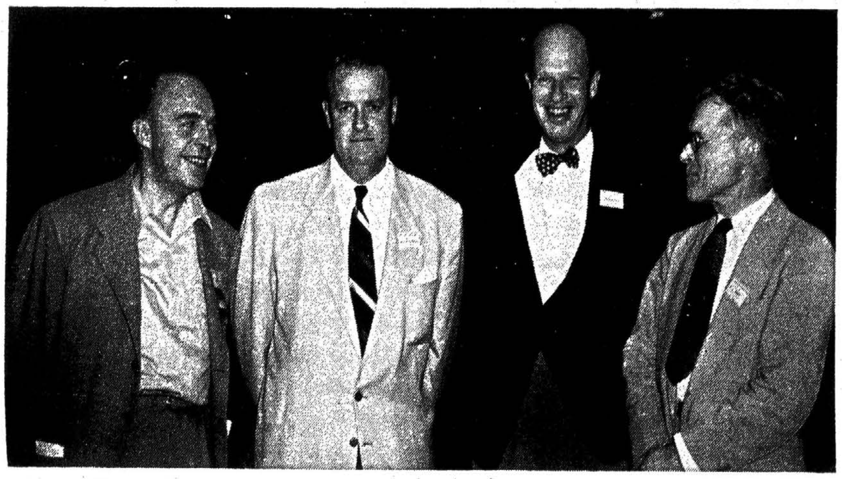
Rudolf Smutny, *Salomon Bros. & Hutzler;* Frederic H. Brandi, *Dillon, Read & Co., Inc.*



Hal E. Murphy and Edwin L. Beck, *The Commercial and Financial Chronicle*



Edward H. Robinson, *Schwabacher & Co.;* Hubert F. Atwater, *Gammack & Co.;* Col. Oliver J. Troster, *Troster, Singer & Co.*



D. Fred Barton, *Eastman, Dillon & Co.;* Wm. H. Morton, *W. H. Morton & Co., Incorporated;* Robert E. Clark, *Calvin Bullock;* William L. Canady, *W. L. Canady & Co., Inc.*

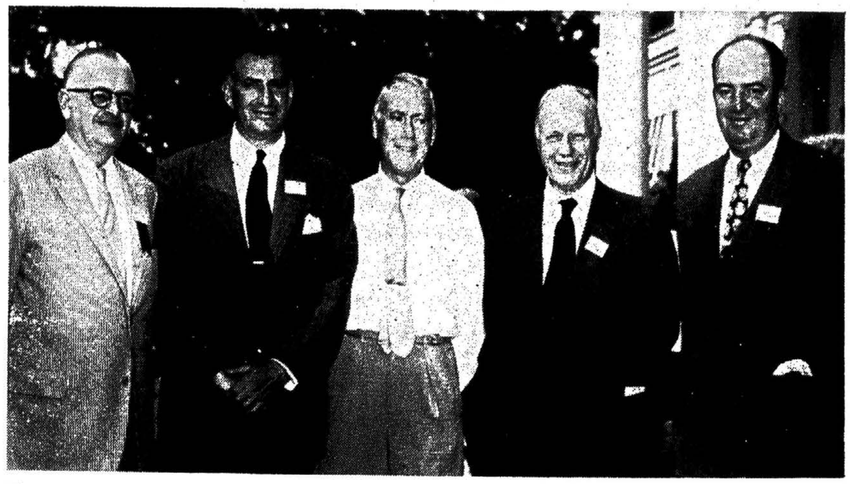
Buck Remmel, *White, Weld & Co.;* Philip Carow, *Harriman Ripley & Co., Incorporated;* Jim Robertson, *Goldman, Sachs & Co.;* Bob Whitbeck, *First Boston Corporation*

Frank L. Sundstrom, *Schenley Industries, Inc.;* Robert E. Nowlan, *Stroud & Company, Incorporated,* Philadelphia; Dudley F. King

H. Albert Ascher, *Wm. E. Pollock & Co., Inc.;* and Jimmy Lanin Musicians

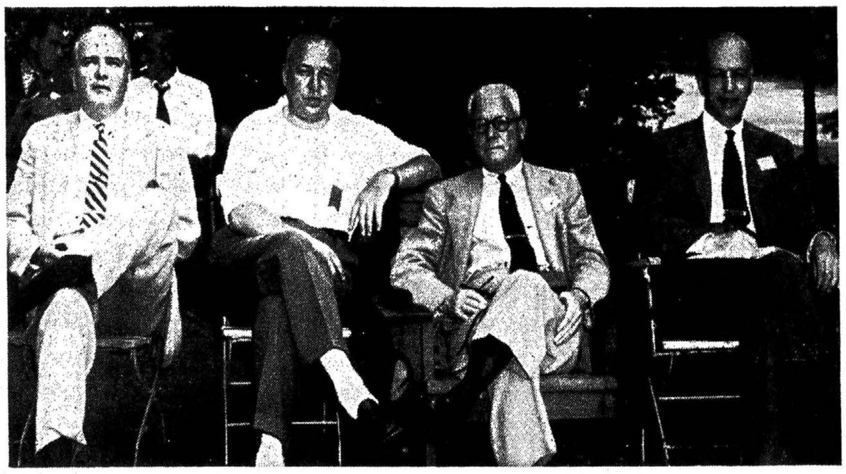
Gilbert Whemann, *White, Weld & Co.,* and Marvin Levy, *Lehman Brothers,* winners of the doubles match

H. H. Sherburne, *Bacon, Whipple & Co.;* Frederick H. Steiwer, *Alex. Brown & Sons;* W. Harman Brown, *Investors Diversified Services, Inc.;* Henry P. Cole, *L. A. Mathey & Co.* Seated, front row: Egerton B. Vinson, *DeHaven & Townsend, Crouter & Bodine;* Robert A. Powers, *Smith, Barney & Co.;* Clarence W. Bartow, *Drexel & Co.*

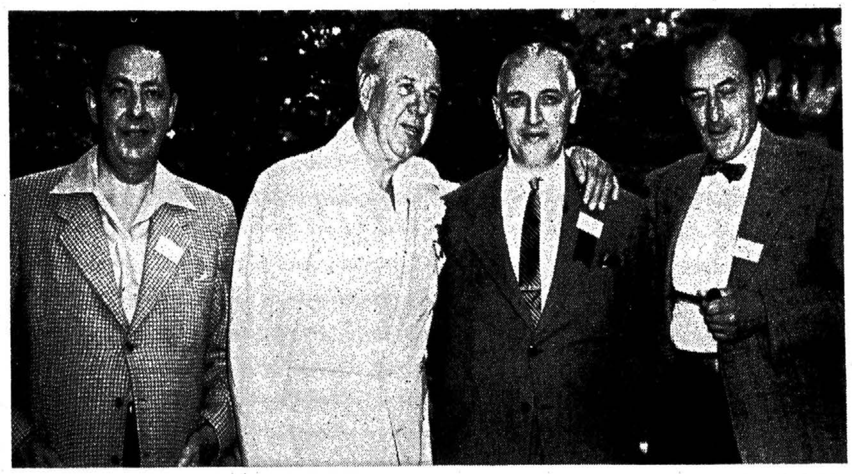


Elmer F. Dieckman, *Glore, Forgan & Co.;* Charles Morse, *Hemphill, Noyes & Co.;* Harry Clifford, *Kidder, Peabody & Co.;* T. Jerrold Bryce, *Clark, Dodge & Co.;* Alfred J. Ross, *Dick & Merle-Smith*

# Friday, June 5, 1953

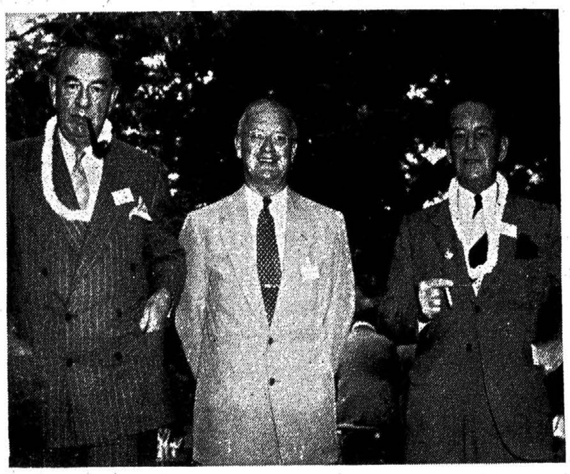


John C. Curran, *W. C. Langley & Co.;* John Power, *Eastman, Dillon & Co.;* John P. C. Moran; Otto De Neufville, *Swiss American Corporation*

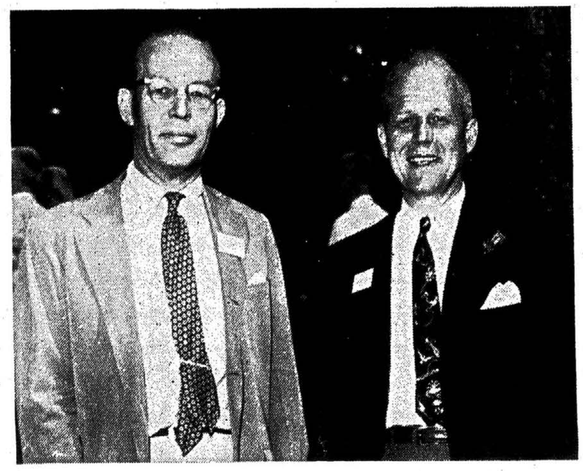


Kenneth A. Kerr, *Central Republic Company;* Richard C. Noel, *Van Alstyne, Noel & Co.;* Joseph Ludin, *Dillon, Read & Co. Inc.;* John E. Arrowsmith, *Van Alstyne, Noel & Co.*

Paul Conley, *Blyth & Co., Inc.;* Stanley Russell, Jr., *Blyth & Co., Inc.*, Philadelphia; Norman De Planque, *W. E. Hutton & Co.*

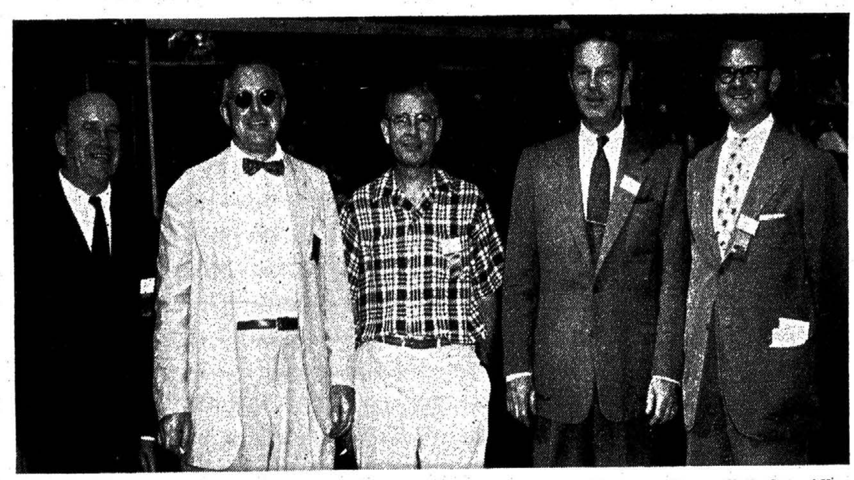


Louis H. Ingraham, *L. H. Ingraham & Co.;* John S. French, *A. C. Allyn & Company, Inc.;* Paul F. Hay, *W. C. Langley & Co.*



William W. Pevear, *Irving Trust Company;* Aubrey G. Lanston, *Aubrey G. Lanston & Co., Inc.*

Joseph Nye, *Neergaard, Miller & Co.;* Robert L. Hatcher, Jr., *Chase National Bank of the City of New York;* Edward S. Johnston, *Wood, Gundy & Co., Inc.;* George K. Coggeshall, *Schoellkopf, Hutton, & Pomeroy, Inc.*



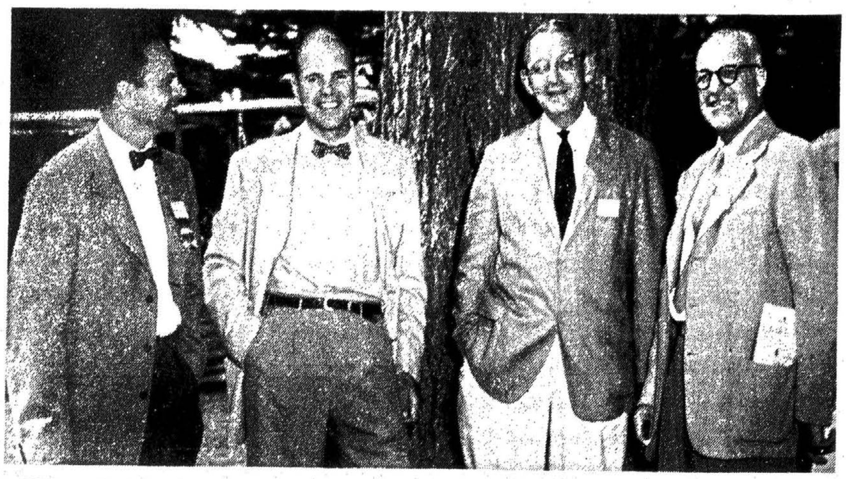
Gustave A. Alexisson, *Granbery, Marache & Co.;* H. Stanley Krusen, *Shearson, Hammill & Co.;* Allen C. Du Bois, *Wertheim & Co.;* Earl K. Bassett, *W. E. Hutton & Co.;* Raymond D. Stitzer, *Equitable Securities Corporation*

F. A. Krayer, *E. W. Clark & Co.*, New York; Edwin F. Peet, *Burns Bros. & Denton, Inc.;* Eugene Treuhold, *L. F. Rothschild & Co.*

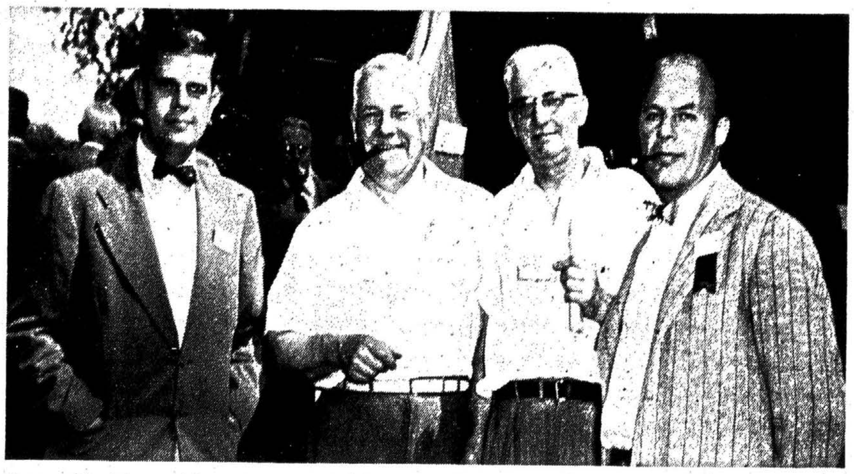
Hubert Clarke, General Manager of Sleepy Hollow Country Club, Scarborough, N. Y.

Hugh Bullock, *Calvin Bullock;* Henry P. Cole, *L. A. Mathey & Co.*

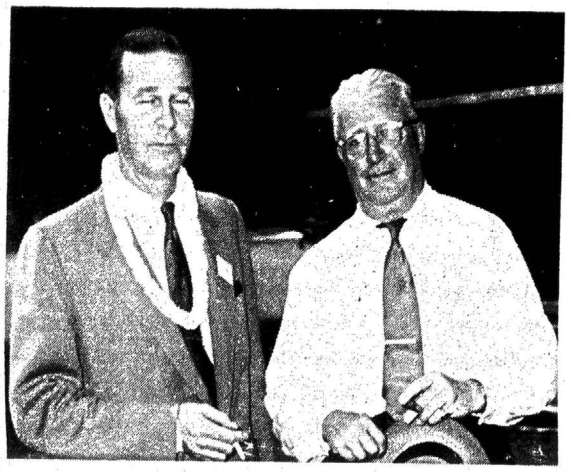
# At Sleepy Hollow Country Club



William M. Cahn, Jr., *Henry Herrmann & Co.;* Harvey Mole, *U. S. Steel Co.;* Harold H. Cook, *Spencer Trask & Co.;* B. Winthrop Pizzini, *B. W. Pizzini & Co., Inc.*

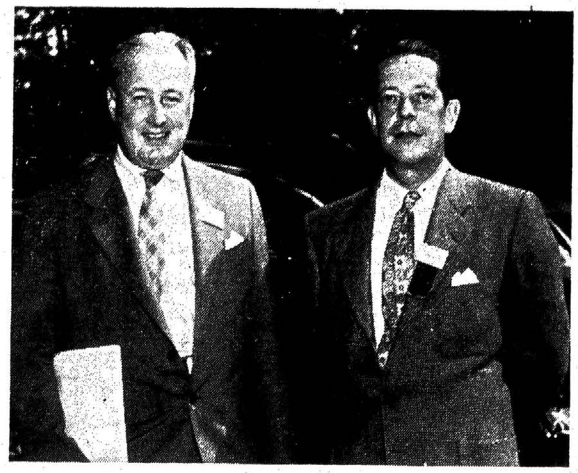


Braman B. Adams, *Adams & Peck;* Van Dyck MacBride, *MacBride, Miller & Co.,* Newark, N. J.; Douglas G. Wagner, *Charles A. Kahl & Co.;* Edward R. Greeff, *Adams & Peck*



Earl K. Bassett, *W. E. Hutton & Co.;* Frank E. Gernon, *Carl M. Loeb, Rhoades & Co.*

Gordon R. Ball, *Bank of Montreal;* George P. Rutherford, *Dominion Securities Corporation*



E. Jansen Hunt, *White, Weld & Co.;* Gerald B. West, *Stone & Webster Securities Corporation*

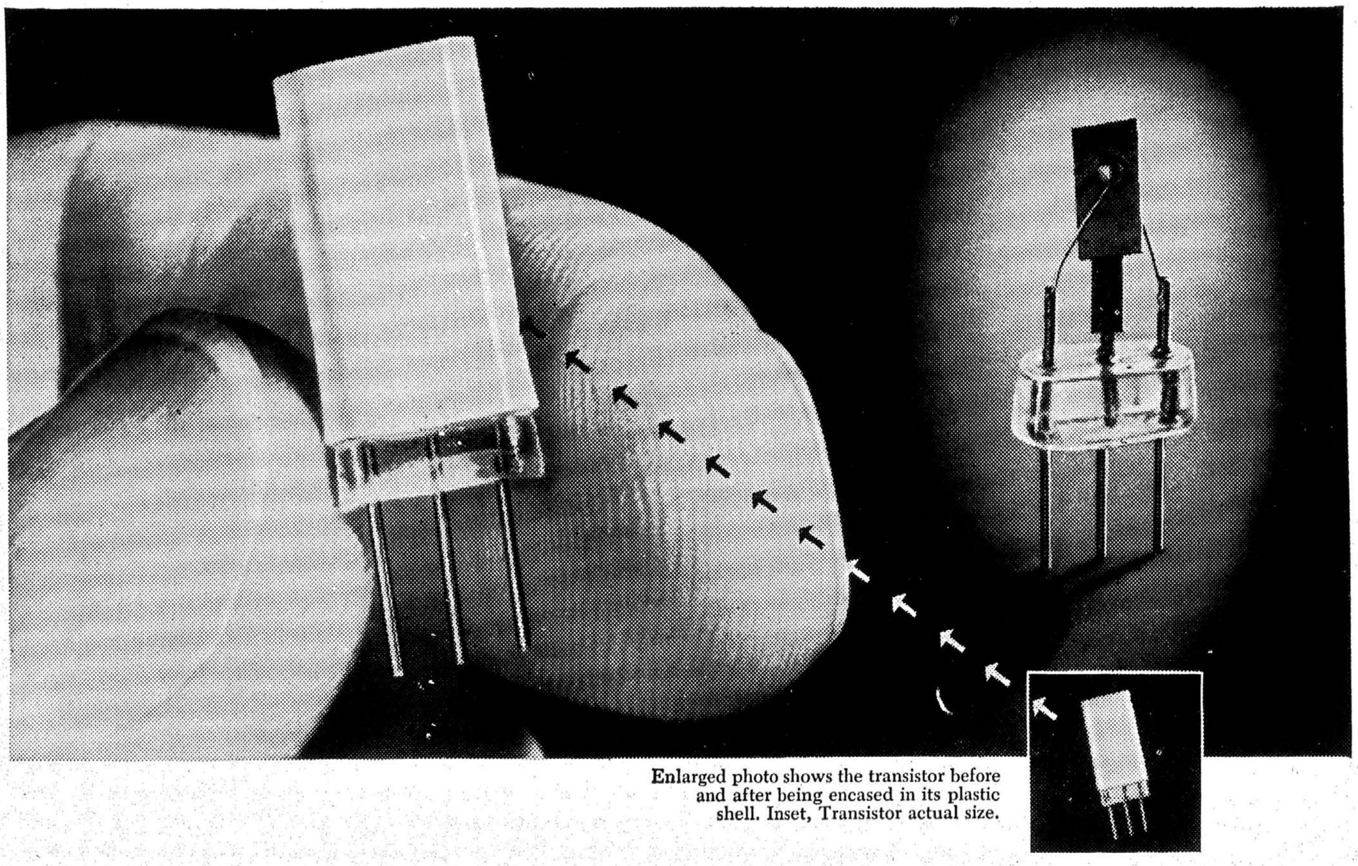
Salim L. Lewis, *Bear, Stearns & Co.;* Arthur D. Lane, *Chase National Bank of the City of New York;* Walter C. Veigel, *Halsey, Stuart & Co., Inc.;* C. Russel Lea, *Reynolds & Co.;* Arthur D. Lane, Jr., guest

W. H. R. Jarvis, *McLeod, Young, Weir, Inc.;* Charles F. Hazelwood, *Paul H. Davis & Co.;* Augustus W. Phelps, *Phelps, Fenn & Co.;* John Howard Carlson, *Halsey, Stuart & Co., Inc.*

John S. Linen, *Chase National Bank of the City of New York;* Bradley Green, *Guaranty Trust Company of New York;* Fred Stone, *Marine Trust Company of Western New York*

Brittin C. Eustis, *Spencer Trask & Co.;* Charles F. Bryan, *Spencer Trask & Co.;* Thomas S. Evans, *Lee Higginson Corporation;* Homer O'Connell, *Homer O'Connell & Co., Inc.*

John B. Roll, *J. B. Roll & Co., Inc.;* William G. Laemmel, *Chemical Bank & Trust Company;* Malon S. Andrus, *J. G. White & Company, Incorporated*



Enlarged photo shows the transistor before and after being encased in its plastic shell. Inset, Transistor actual size.

# Transistor—

## mighty mite of electronics

Increasingly you hear of a new electronic device — *the transistor.* Because of growing interest, RCA — a pioneer in transistor development for practical use in electronics — answers some basic questions:

**Q:** ***What is a transistor?***

**A:** The transistor consists of a particle of the metal germanium imbedded in a plastic shell about the size of a kernel of corn. It controls electrons in solids in much the same way that the electron tube handles electrons in a vacuum. But transistors are not interchangeable with tubes in the sense that a tube can be removed from a radio or television set and a transistor substituted. New circuits as well as new components are needed.

**Q:** ***What is germanium?***

**A:** Germanium, a relatively expensive metal, is one of the basic elements found in coal and certain ores. When painstakingly prepared, it has unusual electrical characteristics which enable a transistor to detect, amplify and oscillate as does an electron tube.

**Q:** ***What are the advantages of transistors in electronic instruments?***

**A:** They have no heated filament, require no warm-up, and use little power. They are rugged, shock-resistant and unaffected by dampness. They have long life. These qualities offer great opportunities for the miniaturization, simplification, and refinement of many types of electronic equipment.

**Q:** ***What is the present status of transistors?***

**A:** Four kinds of RCA transistors are being produced for commercial use. A number of other types are in various stages of development.

**Q:** ***How widely will the transistor be used in the future?***

**A:** To indicate the range of future applications, RCA scientists have demonstrated *experimental* transistorized amplifiers, phonographs, radio receivers (AM, FM, and automobile), tiny transmitters, electronic computers and a number of television circuits. Because of its physical characteristics, the transistors qualify for use in lightweight, portable instruments.

° ° °

*RCA scientists, research men and engineers, aided by increased laboratory facilities, have intensified their work in the field of transistors. The multiplicity of new applications in both military and commercial fields is being studied. Already the transistor gives evidence that it will greatly extend the base of the electronics art into many new fields of science, commerce and industry. Such pioneering assures finer performance from any product or service trademarked RCA and RCA Victor.*

RCA ®

***RADIO CORPORATION OF AMERICA***

***World leader in radio—first in television***

*Continued from first page*

# Atomic Power and the Electric Industry

our industry and in our civilian lives, and it provided research facilities and carried on research toward that end.

Gordon Dean became chairman of the Commission in July, 1950 and under his most capable guidance extremely rapid advances have been made toward the goal of peacetime industrial and civilian utilization. Today, radioisotopes are being used quite widely in many fields of endeavor—agriculture, medicine, metallurgy—and we are approaching the point where the use of atomic fuels for the generation of electric power may be possible on a competitive commercial basis.

Of greater importance, however, has been the realization by the Commission, and particularly by Chairman Dean, that if atomic energy is to take its proper place in our industrial and civilian lives, then competitive industry must enter into the development and bring its vast capabilities into the effort. This position has been repeatedly announced by the Commission and we are given to understand that recommendations for proposed amendments to the Atomic Energy Act are now being prepared for presentation to the Congressional Joint Committee on Atomic Energy.

### Fortunate in Our Development of Atomic Energy

We have been fortunate in our efforts in the development of atomic energy—fortunate that we and not the enemy first perfected its use as a military weapon. And we have been even more fortunate in the wise guidance of the Atomic Energy Commission under leaders such as Gordon Dean, who so well recognize the American Way of Life and the need to perceive and continue that way, even with such a controversial matter as Atomic Energy.

Articles indicating that nuclear fission had opened up a vast new source of heat energy, appeared in the technical journals as early as 1938. These articles were based on experiments carried on over a long period of time by scientists in both Europe and the United States.

Because of the extremely complicated processes involved in releasing that heat energy, and the secrecy which was imposed voluntarily at first and later by our government as a wartime necessity, industry has been somewhat slow in comprehending the full significance of that discovery.

This perhaps is understandable here in the United States. Although we use tremendous and ever-increasing quantities of energy, we have available abundant resources of fuels and, in some areas, water-power potentialities. Our cost of energy from these sources is quite low compared to energy costs elsewhere in the world. Energy resources, therefore, have not been a problem of first magnitude to most American industry.

When the tremendous extent of the energy which can be made available by nuclear fission was demonstrated by the first atomic bombs, the peoples of the world were stunned. Subsequent publicity led a great many to believe that we could expect a vast increase in the availability of energy in all forms, and fantastic new uses for energy were predicted.

At the present time, eight years after the first atomic bomb, the outlook is becoming somewhat more realistic. The nature of the energy from nuclear fission has been more clearly established and some of the problems of utilizing this energy for peacetime civilian and industrial purposes are reasonably well understood.

The one practical use of the heat available in atomic fuels now appears to be the generation of steam, which could then be used either for industrial heat processing or for the generation of electric power. Other possibilities are being considered but as yet nothing practical has developed.

### Major Responsibility of Electric Power Industry

It follows, therefore, that the electric power industry has both a major interest and a major responsibility in this development. The purpose of this paper is to define this responsibility, and to clarify the steps which must be taken before heat from atomic fuels can become a major factor in industrial and civilian activities.

### Thermal Generation and Fuel Resources

From the standpoint of electric power we should clearly realize that in the United States the thermal type of electric power generation will be used more and more as time goes on. This is because nearly all of the more economical hydro-electric sites have been developed. Those remaining are mostly in remote areas and therefore have a limited economic value. In spite of the tremendous increase of large hydro stations built with public funds in recent years, the portion of electric energy generated by hydro in the United States has decreased in the past three decades from 37% to 27%.

Because we have abundant fuel resources in this country, thermal generation has not been a problem. Areas more distant from coal mines or other fuel sources obviously incur a cost differential but in any event fuel has been available and will continue to be available for many years in the future. Substantial increases in the cost of fuel, however, as illustrated by Fig. 1, have created a problem in the cost of generating electric power.

Much of the rest of the world does not enjoy our abundance of fuels, and energy resources are a critical matter. The Netherlands, Belgium, Italy, Brazil, Argentina, face a particularly severe problem. Other countries which have large hydro resources, such as Norway, Sweden, Switzerland and Austria, suffer troublesome economic situations because of lack of fuel needed to provide low cost heat for industrial processes and to permit a reasonable balance between hydro and thermal generation.

In addition the water power resources of many European nations are rapidly becoming fully developed. Information assembled by the Power Section of the Economic Commission for Europe (United Nations Group) indicate that with the present rate of expansion in the use of electricity, Italy will have used up all of its hydro resources in 12 years and Switzerland in 15 years. These are critical matters which give great urgency and incentive to the development of atomic materials as a fuel.

### Energy Resources of Atomic Fuels

Atomic fuels present a vast new source of heat energy. Information from studies sponsored by the Atomic Energy Commission indicates that uranium and thorium, the two most important elements involved, are widely scattered in ore deposits throughout the world. Although the ore in most cases contains only small percentages of these elements, it is estimated that at least 25 million tons of uranium and one million tons of thorium can be recovered economically.

Scientists tell us that under optimum conditions, one pound of uranium can furnish the same amount of heat energy as 1,300 tons of coal and that under these conditions the heat energy available in the economically recoverable nuclear fuels is approximately 23 times as great as that available in the estimated fossil fuel deposits of the world.

### Present Status of Atomic Fuels

The initial development of atomic energy came largely through research in university laboratories both here and in Europe, with European scientists contributing very substantially.

As a wartime necessity, this development was taken over in 1942 by our government and the governments of our allies, and carried forward under the cloak of great secrecy until the Hiroshima bomb explosion in April 1945. Since January 1947, atomic energy developments in the United States have been carried forward as a government monopoly under the Atomic Energy Commission, in accordance with the provisions of the Atomic Energy Act of 1946. For national security reasons the continuation of the policy of secrecy has been deemed essential and has been continued.

Atomic energy developments also have been carried on by other friendly nations, including at least Canada, Great Britain, France, Norway, Sweden, Switzerland, Belgium, The Netherlands and Brazil. In most of these countries the efforts have been directed largely to peacetime civilian and industrial applications.

Although the primary considerations in the development of atomic energy in the United States up to now have been military problems, substantial effort has been devoted to possible peacetime uses. This is particularly true with respect to radioactive istopes which are used in many important ways. There has been an increasing effort to develop the use of the heat energy potentialities of atomic materials within the last two or three years until now the matter has assumed great importance. We can summarize the situation as follows:

(1) The cost of heat energy in atomic fuels will be exceedingly low as compared with the cost of heat energy in conventional fuels. The nominal cost of one pound of uranium, which potentially has the heat equivalent of approximately 1,300 tons of coal is $35. It is thought that these atomic fuels may ultimately supplement the present fossil fuels for some purposes, but it is not anticipated that they will supplant the use of conventional fuels.

(2) It is physically possible now to generate steam for use in industrial processes and for the generation of electric power, using atomic fuels, if cost is not a first consideration. Test installations have been made at the Experimental Breeder Reactor at Arco, Idaho, and the Homogeneous Reactor at Oak Ridge, but full-sized reactors for the generation of electric power on a commercial basis have not been completely designed or built.

(3) Atomic-powered engines for two submarines have been designed and one full scale prototype installation is now undergoing tests.

(4) Development work on atomic-powered engines for a large naval vessel and an aircraft has been under way for some time.

(5) Several industrial teams, under contracts with AEC, have made feasibility studies and all have reported (a) that the use of the heat of nuclear fission for the generation of electric power does appear to be practical, and (b) that substantial development is necessary before such power could be competitive commercially.

(6) Several studies and projects are under way in which the objectives are to complete the preliminary design of reactors and their necesasry appurtenances intended for the commercial generation of electric power.

(7) There is great and urgent need to carry this development forward. No one knows exactly what future developments may bring, but the accomplishment of practical industrial applications very probably will have important effects on the economic advances of our country and perhaps upon our national security.

(8) This development could be

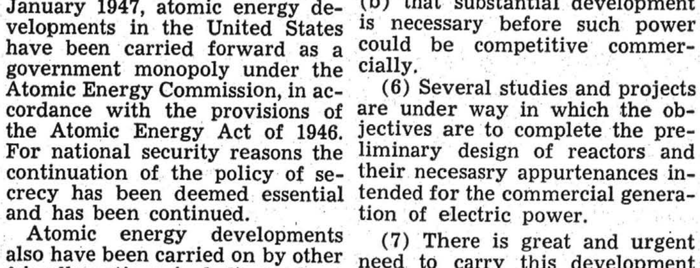



Fig. 1- Comparison of cost of coal with Detroit Edison Company revenue from sale of electricity.

carried forward by AEC at government expense under the present Atomic Energy Act or it could be carried forward by private industry using private capital, without great expense to government, if the present law is modified in several important respects.

(9) Although great advances have been made, the atomic energy development is still in its infancy and a great amount of research and development remains. The National Laboratories of AEC are the only facilities now available for much of this research, which would contribute both to our national security and to the economic advance of our country. Continued use of those laboratories in this effort is essential.

**Reactors for Electric Power**

As stated previously the development and construction of full-scale reactors for the generation of electric power might be carried out (1) by private industry using private capital; (2) by the government, presumably by AEC, using government funds, or (3) by some joint venture in which both private industry and government would participate.

**Private Industry's Responsibilities:** In an economy like ours, based upon competitive enterprise, it is the responsibility of private industry to develop new scientific discoveries, and to make the benefits of those discoveries available to all of the people. This we have done with transportation, petroleum, communications, medicines, agriculture and countless others.

While atomic energy has unique properties and far-reaching implications, fundamentally it is a new resource to be developed and put to work in the effort to advance civilization. This clearly is the responsibility of competitive industry. Since the most promising use of atomic energy is in the generation of electric energy, the electric power industry, I believe, has great responsibility and great opportunity in this situation.

If we look back for a moment we will note that the electric power industry is the result of developments that have taken place over a very long time. Man has known fire or heat energy for many thousand years. Probably the first industrial uses of fire were in prehistoric times to produce the metals which were used for weapons. Although Hero built a primitive steam turbine in 130 B. C., it was not until Watt developed the first practical steam engine in 1769 that heat energy was harnessed to accomplish useful work.

Since that time developments in the use of heat energy have come with increasing rapidity — steam boats, locomotives, vastly improved steam engines, internal combustion engines, modern steam turbine generators and gas turbines.

These developments are the work and result of competitive industry and they have done much to give us our tremendous industrial strength. Our unexcelled electric power systems, our abundance of electric power, and our exceedingly large use of electric power are some of the truly significant factors of that industrial strength.

Our present electric power position did not just happen. It was brought about primarily by competitive industry that had an opportunity to engage in our economic advancement and a responsibility to perform one of the important services which has made that advancement possible.

Those responsibilities of the electric power industry continue. Ample power supply must be provided for the areas served. New discoveries must be studied, developed and adopted so that the service is provided at the lowest possible cost consistent with sound business practices.

Atomic energy, or atomic fuels, offer a new source of heat energy which can be used to generate electric power. The problems are difficult and economic results may not be achieved for many years to come. The efforts will be costly, but probably not as great as predicted. The technical and economic problems will tax human ingenuity but they must and will be solved.

It is the responsibility of the electric power industry to study and develop these possibilities in the same manner and with the same vigor it developed the modern high temperature-high pressure steam generators and turbines and high voltage transmission lines.

**Development by Government:** Practically all of the atomic energy development to date has been by the government and there are those who believe this situation should continue. With some this feeling is the result of genuine concern over defense and national security. Others believe that because the government has spent vast sums for the development, it should continue the monopoly for the benefit of "all the people." In other words, knowingly or otherwise, they are advocating a definite move toward socialism.

From past experiences we should expect that development by the government of atomic energy for commercial generation of electric power would have the following results:

(a) In the long run it would be ineffective because of fund limitations, lack of coordination and duplication of effort, fear of mistakes, and bureaucratic burden.

(b) These difficulties would result in extremely high costs and a great burden, indeed, on the taxpayers.

(c) Large-scale developments would immediately present a widespread threat of government-financed-and-operated thermal generating stations. In other words, more government in business.

| FUEL | WORLD RESERVES | SOURCE OF DATA | UNIT ENERGY | TOTAL ENERGY BTU |
|---|---|---|---|---|
| CRUDE OIL | 610 Billion Barrels | Weeks and Moulten | $6.4 \times 10^6$ | $35 \times 10^{17}$ |
| NATURAL GASOLINE | 11.5 Billion Barrels | American Petroleum Institute | $6.4 \times 10^6$ | $0.74 \times 10^{17}$ |
| SHALE OIL | 620 Billion Barrels | Bureau of Mines | $6.4 \times 10^6$ | $40 \times 10^{17}$ |
| NATURAL GAS | 560 Trillion Cubic Feet | American Gas Association | 1000 BTU Per. Cu.Ft. | $6 \times 10^{17}$ |
| COAL | 3482 Billion Tons | Bureau of Mines | 13,500 BTU<br>14,000 "<br>9,000 " | $722 \times 10^{17}$ |
| TOTAL CONVENTIONAL | | | | $80 \times 10^{18}$ |
| URANIUM | 25 Million Tons | Raw Materials Division of AEC | $3.5 \times 10^6$ | $1700 \times 10^{18}$ at 1 to 1 Breeding |
| THORIUM | 1 Million Tons | " | " | $71 \times 10^{18}$ |
| TOTAL NEW FUEL | | | | $1800 \times 10^{18}$ |

Fig. 2 - World Reserves of Fossil Fuel and Nuclear Energy

(d) These installations would be subsidized to the point where real costs became completely obscure.

(e) This procedure would be a long step toward socialism.

**Joint Ventures of Government and Private Industry:** Proposals for joint ventures of various kinds have been suggested for the development and construction of reactors for the generation of electric power. The reasoning upon which these proposals is based is not important to this discussion.

It is only fair to indicate that there must be at least some mutual aspects to any development of the use of atomic fuels which moves forward in the near future. Certainly it will be necessary to use the results of research that has already been completed in our National Laboratories. In addition, much research currently in progress is directly related to large power reactors, and a vast amount of additional research has been suggested and is needed before power reactors can be commercially competitive. The research would benefit not just one single effort, but rather the entire effort. Each development or advance, large or small, would be a step forward in the broad problem of bringing atomic energy to its ultimate useful place in our economy.

**Looking to the Future**

In looking to the future, we should keep in mind that atomic energy as a science is still in its infancy. We have come a very, very long way since the key to nuclear fission was finally solved in 1939, but we still must solve even greater problems in putting this new resource to practical civilian uses.

It is well agreed that many of the scientific and technical problems yet to be resolved are of concern chiefly to government, largely in the matter of weapons. Other problems are primarily related to industrial and civilian applications. It is equally recognized, however, that all of these problems are definitely inter-related and that they cannot be completely separated. Chemical or metallurgical processes, for example, which would simplify the refinement of fissionable materials for weapons would be of inestimable value in connection with reactors for industrial applications.

The atomic energy development therefore should be carried forward on two broad fronts; one involving those matters of primary importance to government, and the other involving matters of greatest concern to industry. There should be the closest cooperation and coordination between the two efforts to avoid duplication and to assure that the maximum results are obtained. In this way we can move forward rapidly and effectively.

From the standpoint of industry, and the electric power industry in particular, we should regard atomic materials as a new source of heat energy—a new fuel which may effectively supplement present energy resources at some time in the future.

Because the cost of fuel in many parts of the United States is one of the major items in the generation of electric power, the electric power systems should undertake the further study and developments in this area. While initial efforts may not prove commercially competitive, we should develop the technical problems as rapidly as possible. The unfavorable energy situation in many parts of the world, and our need to maintain world leadership, give real urgency to this effort.

The industry should continue to face this development with broad interest and effort. A single project carried to completion will not be adequate. Preferably there should be several independent projects carried forward simultaneously, each guided by strong, capable executives experienced in the engineering, financial, and administrative aspects of the electric power industry. Competition between groups will bring more of industry's talents into the effort; it will produce creative thinking and it will speed the ultimate development.

When the present study phases are completed, and if these indicate that the use of nuclear fuels might be competitive, the electric power industry should actually carry out the construction and testing of full-scale reactors. This, of course, will require the expenditure of substantial sums of money, but this should be regarded in the same light as other research and development efforts which have been continuously carried on since the beginnings of the industry.

Developments of practical value will come slowly.

If proper effort is exerted initial projects could come into service within ten years, and perhaps somewhat sooner. The first installations obviously will be experimental and exploratory in nature, but they will help solve many problems. These installations might be complete generating stations or they might consist of only the reactors and necessary appurtenances which would permit thorough tests of the reactors and their operation. Certainly such reactors would be so designed and constructed that the electric generating facilities could be added.

Succeeding installations should be improved units and it is within reason to expect proven workable installations within ten to fifteen years.

**Investment and Cost Considerations**

Perhaps the most important consideration in carrying such a program forward is the matter of costs and by whom these costs should be borne. I have indicated that I believe the development of atomic fuels for the generation of electric power is rightfully the responsibility of the electric power industry. It follows, therefore, that the electric power industry should assume the costs of the development. The industry, in this sense, includes not only the electric power systems themselves, but also the electric power equipment manufacturers, the engineering industry, power users, and others who have an interest in maintaining our high standards of service at the minimum practical cost.

All of these would benefit from the development and all should share in the burden.

In the matter of research and development, there are areas where the problems of interest to government and those of interest to industry cannot be delineated. These problems, in most instances, can be studied only with complicated facilities such as are available in the AEC National Laboratories and the results of these

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# Atomic Power and the Electric Industry

studies would be of value to the entire atomic energy development.

It is my thought that much of this work could properly be undertaken by government, but this is not necessarily the case. While the costs in question might be substantial, they would represent only a small fraction of either the total AEC budget, or the total cost of a practical reactor project. Certainly, this is a matter of detail.

Exactly how the necessary funds would be made available has not as yet been determined. Those interested should join together in groups to maximize their effort, but what the relationship might be will need serious thought. There are many legal considerations, such as anti-trust laws and Federal Power Commission regulations, which have a direct bearing upon this problem.

**The Atomic Energy Act of 1946**

It is well understood that the Atomic Energy Act, as presently constituted, provides a government monopoly in the field of atomic energy. If private industry is to engage freely and actively in this development, it is essential that rights of ownership be given to private industry so there may be the normal opportunity to recover investments and to profit from efforts. This is the usual practice which makes it possible for business and industry to exist and to expand.

Thermal electric power generating stations ordinarily have a useful life of well over 25 years. Any organization investing private capital in a plant to use atomic fuels would need to know that it could have full control of the plant for its useful life. The organization would need to know that it could obtain the necessary atomic materials for fuel and that it could sell or dispose of fission products through the normal channels of commerce.

To bring about these conditions the Atomic Energy Act of 1946 should be amended in the following respects:

(1) To permit private enterprise to build, own and operate atomic energy plants.

(2) To permit private enterprise to acquire, own and dispose of fissionable materials.

(3) To permit private enterprise to acquire, own and dispose of source materials.

(4) To permit private enterprise to use, sell and distribute end products and by-products produced in an atomic energy facility.

(5) To permit private enterprise to obtain licenses from the Atomic Energy Commission subject only to the requirement that operations thereunder be conducted in compliance with conditions set forth in the license in accord with standards to be prescribed by the Act.

(6) To permit private enterprise to attain normal patent and trade secret protection subject only to full disclosure to the Commission for its own use for purposes of protection of national security.

The national security and safety aspects of the atomic energy situation are fully recognized in suggesting the above modifications of the law. Obviously, present security regulations create difficult situations. We have not found these intolerable and believe that it should be possible to continue under the present conditions. Licensing arrangements, subject to cancellation only for failure to comply with terms of the law, could assure that fissionable materials and classified information does not pass into the possession of unfriendly hands.

**Conclusion**

I should like to emphasize here that the electric power industry has advanced tremendously in the 75 years since its inception. We all anticipate further year-to-year advancements.

Atomic energy first became a real factor in 1939 when scientists unlocked the secret to nuclear fission and in the intervening years we have come far in our understanding of this discovery.

Atomic energy will achieve its proper place as a useful factor in our civilization only when industry succeeds in harnessing it and directing it to useful applications.

Industry in general, and the electric power industry in particular, recognizes the potentialities of this situation.

America's industrial machine is the world's finest—in skilled manpower, in technical and scientific know-how, and in industrial equipment. We must aim at putting our industrial machine to its fullest possible use in developing atomic energy's promise of a better, more abundant, and perhaps more peaceful world of the future.

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# Progress and Prospects Of Electric Power

attend conventions because we have a community of interest and because we do a better job in serving our stockholders, our customers, our nation when we keep in touch with what is going on in all parts of the country. The convention helps us to establish and renew acquaintanceships valuable in the conduct of our company business. It gives opportunity to voice significant views. It helps us to keep our perspective, to clarify our thinking, to develop informed opinions and to grasp the real significance of new developments.

Electric companies have much business with neighboring utilities and with electrical manufacturers. Friendship and mutual understanding and a disposition to consider the concerns and opinions of one another are important in the discharge of our full responsibilities to our customers. The convention helps to develop these relationships within the industry.

The convention affords opportunity for the younger potential leaders to make contact with the top leaders in the industry and to acquaint themselves with the broader aspects of the electric utility business. It lifts their points of view and enlarges their vision of their own jobs. It also offers an opportunity to stimulate division managers in their very important job of serving the customer. To most of the customers of investor-owned utilities they are the company, yet the nature of their work tends to isolate them from other industry leaders and to cause them to lose contact with what is going on generally in the industry.

It is important that the top executives be here for the influence they can exert on the future careers of those who will be the top leaders 10, 15 and 20 years from now. They owe this to those who will come after them. It is desirable that the key men of each company and the younger potential leaders and division managers attend conventions occasionally for the stimulation and development to be obtained here. That is why we have conventions. Those are the people who should attend. That is our objective in devising programs.

**An Adequate Power Supply Ahead**

The sales of electricity have been running well ahead of last year. The Federal Reserve Board Industrial Index stands at a high level. Nevertheless, the latest reports of our Power Survey Committee obtained from the power areas and from manufacturers make it clear that there will be an adequate supply of power throughout the coming year in all parts of the country except possibly in the Pacific Northwest if there should again be an adverse hydro season such as occurred last Fall.

The electrical manufacturers advised that they will deliver this year 12½ million kw. of generating equipment. This amount is greater than the total generating capacity of all electric utility plants in 1920. Of course not all of the 12½ million kw. will be installed during the year. The present estimate is that about 10 million kw. will be put in operation.

Our survey shows that the entire utility industry will add about 30 million kw. in the three years 1953 to 1955, inclusive. Not only will we have ample capacity to supply the power demand in the years ahead of us, but plainly we have a big selling job to do if we are to make the most of the commercial opportunities that confront us.

**Labor Legislation**

Attention is being given again by the Federal Government to the matter of labor legislation. Prior to the enactment of the Taft-Hartley Law, the Board of Directors of the Institute approved a statement of policy prepared by one of its committees setting forth the position of the Institute with respect to the labor issues which led to the enactment of that law. The statement set forth at that time will be found to be sound and applicable today. I recommend that from time to time you read the statement to refresh your views on labor questions. By way of example I quote two items from the statement:

"No specific Federal Legislation singling out the electric industry or the public utility industries appears necessary to minimize the possibility of interruptions of utility service due to strikes.

"Electric utilities are essentially local enterprises subject primarily to state regulation as to rates, finances and standards of service. When necessary any special laws regulating the labor relations of utility employees and managements should, to the greatest degree possible, be state laws providing for regulation and enforcement by state agencies."

**A Sound Water Resources Development Policy**

For years the Federal and State Governments and many national and local agencies have been concerning themselves with the development and preservation of our natural resources. In response to a request from the then President's Water Resources Policy Commission, the Edison Electric Institute prepared and three years ago at this Convention adopted a brief statement of principles and policies with respect to the development of water resources in the United States. The statement dealt with fundamentals and it is as sound today as when it was written. Let me call your attention to a few of the 15 principles we adopted.

The government should encourage development of private capital.

Much of river development can be accomplished by non-Federal capital.

Licensing under the Federal Power Act should be encouraged.

Local agencies, not the Fed-Government, should be responsible for the adequacy of power supply for non-Federal needs.

All projects should be economically justifiable.

Benefits should be required to exceed costs by substantial margins. (The wisdom of this principle has been demonstrated by many recent instances of gross underestimation of costs by the Federal agencies.)

Power should be sold at market value.

Disposition of power should be by non-Federal marketing.

Federal power should be sold without discrimination.

I think it can fairly be said that there is a growing realization throughout this country, particularly in the West, that local planning and local responsibility must have a dominating role in the sound development of natural resources and that there is grave danger to the survival of local government if the Federal bureaus assume the determining role in the development of natural resources. If legislation were enacted in conformity with the recommendations of the 1950 Report of the President's Water Resources Policy Commission it could only eventuate in national control over all water and land. There could be no real freedom in this country with the Federal Government in full control of water and land.

Let us contrast for a moment the long-range effect of big government control of natural resources on local government and individual freedom with the long-range results when power companies develop water resources. The development by the companies is subject to local and national regulations. They must make their plans and their operations conform to the mandates and wishes of local authorities as well as meeting the requirements of national agencies. Their work must conserve and develop natural resources in conformity with the public interest, both local and national. They are not and cannot be a law unto themselves. Even if they were disposed to conserve and develop natural resources unwisely they could not abuse their power because they do not have it to abuse. They are subject to control under the laws and regulations of the local and the Federal Government. The Federal agencies are not under such regulation.

**A Plea for Fair Competition From Government Proprietary Business**

I believe that any fair-minded person who will inform himself of all the facts must agree with the conclusion that the Federal Government in its legislation, its regulations, its interpretations of laws and regulations and its administration of them, and in its judicial proceedings, has heavily discriminated against investor-owned power companies and has fostered the nationalization of electric power. I need not argue the point. Many eminent persons in the past year, including President Eisenhower and former President Herbert Hoover, have stated the case.

The defenders of such legislative and administrative action contend that these actions have been necessary to preserve our natural resources for the people and to protect them from the greed of the big corporations. Their contentions are not valid. They deliberately ignore the fact that investor-owned companies are under local regulation and control and benefits or advantages to be had from the building of power dams or from participation in government built power projects must of necessity go to their customers. And further, in making such developments the companies must conform to local sentiment in conserving and using the natural resources. Generally they must also obtain a license from the Federal Power Commission and make their work conform to the overall plans of the various Federal agencies with respect to conservation and utilization. What organization can better conserve our natural resources than power companies which have to conform their plans to local regulation and must satisfy conditions determined by the Federal Government? On the other hand, no state or local agencies establish and enforce the conditions under which Federal bureaus will carry out their construction plans and operate their power facilities. They follow their own considerations. When it comes to the exercise of monopoly there is nothing to compare with the monopolistic powers that Federal agencies arrogate to themselves.

In competing with private business there are several weapons which the Federal Government uses. Two of these are important: (1) tax discrimination, and (2) selling power below cost to preference customers. Investor-owned power companies, and therefore their customers, are heavily taxed to support the government. At the present time they are paying 14% of gross revenue to support the Federal Government and 9% to support local governments, a total of 23 cents out of every dollar they take in. It is proper that along with the rest of American business they should pay taxes, but it is grossly unfair to the customers of the power companies for them to be taxed through their power bills to support the government and then for the government to exempt by law from taxation those customers who obtain their power from local and national governmental proprietary business. At present tax rates the cumulative effect of this tax exemption is enormous. No industry, however efficient and progressive in its engineering and management, can indefinitely survive such tax inequity. Either the inequity must be corrected or, in time, free enterprise in the power field will be destroyed.

Furthermore, the proprietary power business of most governmental agencies has the unfair advantage that interest on the bonds sold by them to provide money for this business is also tax exempt, a fact that materially reduces the interest rate on such bonds.

The practice by Federal agencies of selling power below its real cost and thereby forcing Federal taxpayers to subsidize part of the power bills of the consumers of the underpriced electricity is widespread and has been recognized from its beginnings.

If power were sold to cover the true cost to the Treasury, including an amount equivalent to the Federal taxes that would be paid if the property were investor-owned, in most instances the cost of Federal power would equal or exceed the fair market value of power as established by the production cost from other power sources in the area. Hence there would be no preference in the preference clause, but by ignoring and understating costs the power is sold at prices that carry a heavy subsidy from the Federal taxpayer.

In the case of the TVA, no interest is paid on monies received through appropriations. Independent estimates made years ago came up with the answer that the TVA yardstick was 18 or less inches long when it was set up. Since the establishment of the Tennessee Valley and the Pacific Northwest projects the cost of construction has doubled, yet in neither area have rates been significantly increased to the preference customers.

The laws governing the sale of power from Federal projects set up certain preference customers, that is, local governmental bodies and cooperatives. These are agencies that have not been taxed to help pay for the facilities built by the Federal Government, yet they are given preference in buying power that is priced to make this preference attractive to them. The practice is obviously designed to lure municipalities and rural districts into setting up power systems of their own to qualify as preference customers under the provisions of Federal law.

As stated before, the proponents of these discriminatory practices argue that the public resources should be developed for the benefit of the public and not for private profit, but in all fairness, who but the public benefits if the power is sold to regulated investor-owned companies? Any savings in cost to the company due to purchases of low cost power go to the customers the company serves. Their tax money has helped build the projects. Surely there is no fairness in a provision that denies to certain classes of American citizens a government subsidy extended to another class. This is what we mean by unfair competition, and legislative changes are needed to correct the lack of fairness. It is too much to ask Federal bureaus at all times to restrain themselves. They have been tried in this regard and found wanting. Congress should act to reestablish fairness in the provisions of its laws.

The issue here is much broader than the power industry. The Federal Government has entered into other fields of business. The power industry is vitally interrelated with practically every other industry. A threat to nationalize and destroy any American business or industry is a threat to destroy the free enterprise in all American business and industry. That inter-relation has been well demonstrated in a number of foreign countries and America can profit from the lesson they afford. The free enterprise system is efficient, vigorous and resourceful. It can and does put up a good battle against odds, but certainly the power to tax is the power to destroy. Big government is bigger than any industry and if the basic inequities I have pointed out are not corrected, the government will wind up by nationalizing many of our basic industries in America as was done in England, and through them will effectively dominate practically all business and industry.

While we are asking for fair competition, let us be sure that we give fair competition in return and that we go even beyond the actual requirements of regulation and law to assure this in our business dealings with neighboring municipal and co-op systems. They are not charity subjects and can and should pay their way like any other proprietary business, but we can be helpful to them, they can be helpful to us. They are our neighbors, and let us see to it that we are sound and fair in all our dealings with them. It will become apparent to them that in reality we are their best friends.

In speaking of the efficiency and resourcefulness of the free enterprise system, I call to your attention the very heartening reversal of the trend from governmental power business in the Northwest toward a strengthening of investor-owned power business in that region where the Federal Government has been pouring out many hundreds of millions of dollars for power facilities. Another very heartening development has been the bold enterprise of five companies in organizing Electric Energy, Inc. to challenge successfully the monopoly of the Tennessee Valley Authority, with its tax-free, interest-free business, in preempting the supply of power requirements for the Atomic Energy Commission. This venture was followed shortly thereafter by the organization of the Ohio Valley Electric Organization backed by 15 power companies to go ahead with a $400 million power generation project. Another similar development is the program of five power companies in New York State designed to carry out the redevelopment of power at Niagara Falls, the site where the privately-owned Niagara Falls Power Company in earlier times wrote an illustrious page in the history of private enterprise.

This point brings me to the part which power companies are playing and can play in the development of the areas which they serve.

**The Utility Company's Role in Area Development**

A utility company in the conduct of its business must engage efficiently in long-range planning and have the courage to make decisions far in advance of operating necessities. It must be prepared to serve the power needs of the territory. It can grow no faster nor prosper more than the territory it serves. It cannot shift its place of business. On the other hand, it can be a most constructive force in the development of the area that it serves, helping to build up the well-being of its territory and thus helping its own business to grow.

There is no magic in the power company's contribution to area development. It has no money to squander on popular ventures. It must pay interest and dividends to those who furnish its funds and its rate of return on its investment must be kept moderate. The Public Service Commission will see to that. But to carry out its functions in serving agriculture, commerce and general industry it must have trained personnel who are continuously engaged in planning and men who are thoroughly acquainted with the territory and its possibilities and know how to put electricity to work to earn more for the customer.

The power company is, therefore, especially qualified to contribute to area development work and has an unusual opportunity for civic leadership. Do not think that such work is unappreciated even though such appreciation may not be recognized for a long time or expressed. I will take the liberty of quoting from a few lines of an editorial in the Cleveland "News" of March 27, 1953, commenting on the contribution of the Cleveland Electric Illuminating Company and its President, Elmer Lindseth, a past President of the Institute, toward the well-being of that area:

"This program (urban redevelopment) comes to us from an earnest, hard working industrialist who knows what he is talking about, who hasn't spent as much time talking as in working to get Cleveland its rightful share of commerce and industry."

**Changes in Money Cost**

In recent months there has been a substantial increase in interest rates on long-term debt. Because the electric power industry is pre-eminent among industries in the amount of capital it requires and the slow rate of turnover capital, the interest rate on bonds is very important in its rate making and financial problems and this change is a matter of concern to all of us. Rate increases obtained during the past few years to offset the rise in the cost of labor and materials were based on the cost of money then prevailing. It becomes critically important that Public Service Commissions give adequate consideration to changes in the cost of money if we are to carry forward successfully the large construction program we are in the midst of. This is not a matter that company managements or regulatory commissions can afford to treat lightly.

In the long run, however, it is important to all free enterprise, and particularly to the electric power business, that thrifty and industrious people be given incentives to save and invest their savings with confidence in the future buying power of the dollar. This change in interest rates is in the direction of sound and fair treatment of the investor and we should clearly understand the significance of this point.

Our engineers who have been battling to offset the increased costs of labor and materials in the past 20 years by improvements

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Continued from page 33

# Progress and Prospects Of Electric Power

in designs, construction and operating methods may find that they have a new economic balance to strike in their planning and designing because of this change in the cost of money.

The investor-owned companies spent about $2.6 billion in 1952 and at present construction rates it would appear that they will spend about $3.0 billion in 1953, of which amount about two-thirds will have to come from the sale of securities or loans. These are large figures and they are quoted to emphasize the significance of any change in the cost of money.

### Light's Diamond Jubilee

Next year on Oct. 21 we shall celebrate the 75th Anniversary of Thomas A. Edison's successful invention of the incandescent lamp. This event, as we now can see from our present position, was a very significant turning point in the life of America and to a lesser extent in the life of people generally throughout the world.

The Board of Directors of the Institute has established a Sponsoring Committee, a Planning Committee and a Program Committee. They will present a plan for celebrating Light's Diamond Jubilee to the Board of Directors at its meeting tomorrow. An important feature of this plan will deal with community celebrations of the Jubilee to be fostered by the utility companies. The Institute would be called upon to assist in the preparation of Jubilee materials which the Program Committee, made up of representatives from a number of companies, has concluded will be useful in the furtherance of such community recognition of this great historic event.

The incandescent lamp began the mass use of electricity. Free enterprise fostered the growth of that use to unmatched degree. Our present standard of living has developed largely from that growth. Continuing growth and new horizons promise a new era of electrical living. Light's Diamond Jubilee affords us an opportunity to refresh the minds of the older generation and bring to the minds of the younger generation this historic event and what its significance has proven to be and what it offers for the future.

In the very near future information concerning the plans and indicating the part that electric power companies, in conjunction with companies and organizations in other branches of the electrical industry, can appropriately undertake will be made available.

### A Tribute to Our Committees

No industry in the world shares information so freely as the electric power industry and no organization that I know of does such a thorough job of bringing the latest experiences and the latest developments in every part of the industry to the attention of all its members as do the committees of the Edison Electric Institute. This sound practice faithfully followed for nearly 70 years is one of the reasons for the sturdy growth and unhalting advance which the power industry has made throughout its history, an advance that has seen no let up in the rate of growth and in the striving for improvement in every phase of the business.

One of the rewards of serving as President of this Institute is to become better acquainted with the men who lead and those who constitute our committees. I now have an appreciation I never had before of the role they perform in studying every aspect of our operations and in fostering the development of sound practices throughout. We must not lose sight of the fact that our industry enters importantly into the life and labors of practically everyone in the United States. It serves about 98% of the occupied homes and an equally high percentage of the fixed locations where work is performed. Electricity's part in serving these activities continues to grow and multiply and the watchful attention of our committees keeps our industry from falling behind in any of its accumulating responsibilities to the public. We owe our thanks to the Chairmen and members of these committees and to the companies who support the Chairmen in carrying out their responsible work.

We have a program for this convention designed to give helpful attention to matters of present and future concern to us. Our Program Committee is Messrs. Donald S. Kennedy, President of the Oklahoma Gas and Electric Company; Harllee Branch, Jr., President of the Georgia Power Company, and Walker Cisler, President of The Detroit Edison Company. I am sure that as this convention unfolds you will agree they have done a spendid job in arranging the program.

### We Are Living in an Eventful Period

These are great days in the history of electric power. Our role as individuals has been cast in this eventful period of time. I believe that we are alert and are measuring up to our opportunities and our responsibilities, but this is no time for self-congratulations. We have great work to do, great decisions to make, important policies to establish, much commercial development work to accomplish, awe-inspiring engineering opportunities ahead, heavy responsibilities and important decisions in the matter of finance, questions that tax our capabilities in relations with the local and Federal Governments and with the public generally.

If we do this work well, if we are wise and unflagging in our labors (and there is no excellence without labor), we will promote the interests of our investors and employees and we will advance the interests of America and of free enterprise, and without free enterprise there can be no individual freedom. We cannot afford even to contemplate the evil to our companies and our country that would ensue should we slacken in our efforts, should we rest on our oars, should we allow our judgment to be obscured and our course to be misdirected during this great period in the history of our industry.

In closing, I see a growing awareness that we are one segment of the economy functioning as one member of the team. In the days to come we shall reread again and again from the London speech of the General, now President Eisenhower.

"The winning of freedom is not to be compared to the winning of a game. . . . Freedom has its life in the hearts, the actions, the spirit of men. It must be daily earned and refreshed—else like a flower cut from its life-giving roots, it will wither and die.

"We fight not only our own battle—we are defending for all mankind those things that allow personal dignity . . . those things that each believe are important in the eyes of God. We are preserving opportunity for men to lift up their hearts and minds to the highest place—there must be no stragglers in such a conflict.

"The road ahead may be long —it is certain to be marked by critical and difficult passages. But if we march together, endure together, share together, we shall succeed. . . ."

By our example today of better performance under free enterprise there will be an assurance of a free society tomorrow.



# Securities Salesman's Corner

By JOHN DUTTON

## "How to Build a Retirement Fund"

David L. Babson, the investment counsel, has written a brochure that describes the many difficulties that the average investor must overcome if he is to be able to achieve his own financial independence. He shows and proves why prewar methods of building a retirement program are obsolete. Increased taxes and cheaper dollars have made it impossible for even those in the comfortably higher brackets to achieve independence in later years unless a new approach is used. Here's one of the tables used in the brochure which was prepared by the well-known tax counsel, J. K. Lasser and W. J. Casey.

For a married man with two children, the savings he would have at 65 if he could invest all his current tax payments at 4% compound interest, would be as follows:

| If Age Is | And Income Is | Years to 65 | Savings Taken by Taxes at 1952 Rate |
|---|---|---|---|
| 35 | $10,000 | 30 | $103,683 |
| 35 | 25,000 | 30 | 408,762 |
| 40 | 20,000 | 25 | 216,733 |
| 40 | 50,000 | 25 | 909,740 |
| 45 | 25,000 | 20 | 217,030 |
| 50 | 50,000 | 15 | 439,240 |

Says David Babson, "It is clear from the foregoing that what our fathers saved for retirement, we are paying out in income taxes."

### The Tree Basic Requirements

To quote further, "What investment principles then, must guide the investor if he is to be successful in building a retirement fund against today's obstacles? There are three tests which investments must meet to qualify for estate-building at today's levels of taxes and living costs." These are as follows:

(1) They must offer "deferred income." Today's tax rates make it worthwhile to accept lower *current* income on invested capital in order to obtain greater *future* income.

(2) They must possess inherent capacity for capital growth over the years ahead.

(3) They must provide relative safety of principal because heavy taxes make it increasingly difficult to recover lost capital.

### The Three Major Types of Common Stocks

Then David Babson makes this important observation. (I sometimes think that many of us in the security business often fail to realize the validity of the following statement, and also to impress it upon our clients.) Quote: "Our observation is that most men who are investing capital for retirement purposes do not seem to understand that securities, like human beings, have different characteristics."

(1) *Income Stocks*—Stocks of companies in stable industries, such as food, tobacco, utility and bank, where sales and/or earnings are relatively steady but static. Example: American Telephone.

(2) *Cyclical Stocks*—Stocks of companies operating in highly volatile industries such as heavy steel, railroad equipment, copper and brass, where the volume of business and/or earnings fluctuate through an extreme range from the peak of the business cycle to the depths of depression. Example: American Car and Foundry.

(3) *Growth Stocks*—Stocks of companies engaged in dynamic industries, such as chemical, natural gas, and electronics where sales, earnings and dividends are in a long-range uptrend. Example: Dow Chemical.

### What to Do About It

Then Mr. Babson takes up the record of growth companies, of growth industries, and factually sets up the comparative results between the various groups of stocks mentioned above. Then he puts his yardstick of the three requisites of deferred income, internal growth, and safety of principal to the test of experience. I think you will agree that he makes quite an imposing case for the purchase of the leading securities in such industries as natural gas, synthetic fibres, research specialties, chemicals, oils, labor saving machinery, paper, etc.

If you have some clients who are on the fence, who are afraid to look at their portfolios realistically, I believe that if you will obtain a copy of this brochure and digest it so that you either agree or disagree with David L. Babson (and I think you'll agree) that you'll have something to go out and tell your clients that will help you to do business and will also help them. The David L. Babson organization is located at 40 Broad Street, Boston 9, Mass. Why not write and ask them for a copy of *"How to Build a Retirement Fund Under Today's High Taxes and Living Costs."*

# Lex Jolley V.-P. of Robinson-Humphrey

Lex Jolley

ATLANTA, Ga.—Lex Jolley has become associated with The Robinson-Humphrey Company, Inc., Rhodes-Haverty Building, as Vice-President in the municipal bond department. Mr. Jolley was formerly an officer of Johnson, Lane, Space & Co., Inc. For the past two years he has served as Treasurer of the National Security Traders Association.

## Correction

In the "Financial Chronicle" of June 6th it was reported that Theodore H. Gruellemeyer had opened his own offices to engage in the securities business. We are informed that this was in error as Mr. Gruellemeyer has not severed his connection with Glidden, Morris Co.

# Electric Industry Should Lead In Improving Public Relations

**Charles E. Oakes, President of Pennsylvania Power & Light Co., holds present is propitious time for gaining better public attitude through greater, more effective sales organizations.**

In an instructive address at the 21st Annual Convention of the Edison Electric Institute, in Atlantic City, N. J., on June 3, Charles E. Oakes, President of the Pennsylvania Power and Light Company of Allentown, Pa., after noting there have been two decades of unfavorable political climate for industry, pointed out present time is propitious for the electric power industry to take the lead in restoring and improving public relations of business concerns.

Charles E. Oakes

In presenting this aspect of his subject, Mr. Oakes stated:

"In the electric industry we have long been accustomed to the constant challenge of ever-widening frontiers in our business and they are still opening before us. But here we face a new and exciting frontier — the frontier of human relations and understanding — a frontier perhaps not as clearly defined nor as carefully charted as others, yet just as real and certainly filled with opportunity. More and more we are beginning to realize that a business is not a wholly material thing. It primarily involves human beings and human relationships and this is particularly true of the electric industry in which the idea of service to the people is paramount.

"The electric utilities should take the lead in this great informative task for probably in no other business does the American industrial system that we call free enterprise for want of a better term, become more self-expressive. The property of the company has been built solely to serve the customer. It is there, right where he and his neighbors can see it. And the employees who do the work—those he sees and knows personally in many cases. The company itself and its employees buy many of their needs from his firm and he sees the money he pays for service in turn flowing back to him. Furthermore, in many cases, as a share owner, he receives a return on his invested savings—savings used to provide his and others' service. But generally he does not see this clearly until it is pointed out and as he does, the economic system, the profit system, the private property system, which is the backbone of America becomes less puzzling.

"The founders saw very clearly the importance of protecting the rights of the people to own property as basic to liberty. In recent years, however, this and other fundamental ideas have become obscured and today there is a great need to restore them to their rightful place. Words, in themselves, however convincing they may be, are not the answer. The words need to be interpreted by countless specific acts.

"And it seems to me that we in the electric industry are peculiarly equipped to undertake at the local level this essential task of demonstration and improvement in public understanding. I say this because we have in our companies highly trained sales people engaged in meeting vast numbers of the public every day and in whom the public has confidence and respect. True we look to them as load builders and revenue producers but unless we realize that 'salesmanship can improve public relations,' we are not realizing their full potential constructiveness. We should all make greater use of their abilities by more forcefully directing their attention toward improving public good will as well as toward bringing about a better public understanding of our American system.

"Just a few years ago a number of companies saw the necessity to embark on a broad program of reestablishing their relations with customer, community, employee and share owner and some took the opportunity to emphasize the interest of everyone in holding to solid American principles.

"What were the problems so many of us faced? At the outset it was apparent that the responsibilities and arduous tasks thrust over the war years had made it difficult to maintain successfully those personal relationships so essential to proper understanding of industry's activities and objectives and of the benefits accruing to all of a healthy business state.

"More particularly, war-time equipment and manpower shortages had brought about fewer and fewer opportunities to meet and talk to customers. Restrictions in the use and the rationing of materials had forced a lowering of service standards and of the readiness with which the customers' needs could be met. Availability and adequacy of service in the community had become a matter of first importance in the expansion plans of local industries and in the location of new concerns. Many employees had lost, over the war years, their sensitivity to the importance of the customers interests as well as proper appreciation of the vital role each played in the furnishing of an essential public service. In many cases these problems were compounded by the imposition of severe financial problems resulting from divestment from a parent company under the Holding Company Act.

The situation seemed clearly to call for the cultivation of human contacts on a broad scale. I should say that industry-wide a great good was accomplished in a short time. Yet, while the electric industry's extensive efforts pitched on a national basis proved productive, they served to accentuate the over-reaching importance of bringing our story into the home in intimate fashion."

* * *

## Four Points

"Now where does all this lead us. Four points stand out:

"*First*—The most effective promotional work for the individual company takes place at the field or community level.

"*Second*—The activities of the sales organization afford a powerful means of reaching public relations objectives efficiently. Only a slight enlargement of the duties of sales personnel is all that is needed and this can be undertaken without detracting from their load building efforts.

"*Third*—Sales personnel should be kept fully informed of public relations programs and the potential value of their aid in such work not overlooked.

"*Fourth*—The electric industry through the Edison Electric Institute should collect and make available to member companies the details of tried ideas in the public relations field at the local level to a greater extent than heretofore.

"I venture to say that one of the reasons we have fared so poorly thus far in the cold war is that we have very largely been trying to influence the thinking of the people of other countries as a national group rather than to reach them as individuals. We have not been able to direct our efforts on an intimate enough, individual basis. Yet, in the final analysis, it must somehow come to this if we are to be successful in this struggle for men's minds.

"It seems to me, too, that there is a close parallel in these human problems we have as a nation and those human problems, we, as an industry, have in common with others. I think we can agree that there is ample evidence for us to conclude that it is essential to get as close as possible to those we want to hear our story."

## Kalb, Benedick Form Investors Planning

John Kalb and Walter Benedick announce the formation of Investors Planning Corp., "which will devote itself primarily to the development and use of the concept of 'personal financial planning' as a major approach in using mutual funds as the investment media for personal planning." The new firm will maintain offices at 60 East 42nd Street, New York.

Mr. Benedick was Vice-President of First Investors Corp. where until his resignation as director of sales he had about 700 salesmen under his guidance. During the 20 years he has been in the fund business he trained and brought into the industry several thousand salesmen, many of whom today are among the industry's top producers.

Mr. Kalb has resigned as senior partner in the New York Stock Exchange firm of Kalb, Voorhis & Co., a firm which he organized to provide research services to institutions and professional security firms. Prior thereto he was a senior partner of Lewisohn & Co., members of the New York Stock Exchange.

## Joins Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Gerald L. Davis is now affiliated with Renyx, Field & Co., Inc. of New York.

# France's Devaluation Dilemma

By PAUL EINZIG

**Commenting on the recent collapse of the French Cabinet, Dr. Einzig looks for another devaluation of the French franc, but adds the solution provided by this move is essentially a temporary one. Holds France should be given substantial external aid to inspire confidence in her currency and to uphold her importance in Western scheme of defense.**


Dr. Paul Einzig

LONDON, Eng.—With the defeat of the Government of M. Rene Mayer, France was plunged in May into one of her all-too-frequent political crises. As usual the cause of the crisis was financial. The Government was defeated because, in the interest of putting the country on a sound financial basis, it attempted to introduce drastic measures which were found unacceptable by the majority of the members of the French Chamber. This situation arose again and again since the end of the war. It arose in frequent intervals during the financial difficulties of the '20's, and again during the financial difficulties of the '30's. Evidently, financial troubles in France are apt to be the major cause of political instability. Lack of political stability in turn makes the solution of the financial problem extremely difficult, so that there is a complete vicious circle.

Admittedly, France has many other troubles besides her financial problems. An unduly large proportion of her industrial population are Communists, and consequently strikes of a political character are a frequent occurrence. The aim is obviously to stir up wage demands in order to increase the difficulties of maintaining the value of the franc. This method is practiced also in other European countries. Even where Trade Unions are not under Communist control they find it difficult to resist Communist pressure in favor of approving excessive wage claims.

Another source of trouble for France is the war in Indo-China. Its expenses impose a burden on the French Budget which would constitute a major problem even in less difficult circumstances. As it is, together with the requirements of rearmament in connection with the North Atlantic Defense System, it greatly increases the difficulties of a French Government.

All these difficulties are overshadowed, however, by the effects of the gross over-valuation of the franc. The French Governments which followed each other in office in recent years made a praiseworthy effort to avoid yet another devaluation. They doubtless realized the need for it. But on the basis of past experience they assumed that any such action would only bring temporary relief as the domestic price level would soon adjust itself to the lower international value of the currency. For this reason pressure in favor of devaluation has been resisted, even though it is evident that on the basis of the present official exchange rates, France is a very expensive country. The over-valuation of the franc gravely handicaps French export trade and tends to divert foreign tourist traffic to other countries. As a result both the balance of payments and internal prosperity are adversely affected. To some extent the adverse balance of payments has been offset by American aid and by the running up of an indebtedness in the European Payments Union. The tendency is, however, towards a reduction of American aid. And France's indebtedness in the European Payments Union has reached a level at which any new deficit has to be settled in gold.

In the circumstances one is permitted to wonder whether the French Governments which held office recently have been well advised in their stubborn resistance to pressure in favor of another devaluation. There can be little doubt had M. Paul Reynaud succeeded in forming a Government following on M. Rene Mayer's resignation, his first step would have been a drastic devaluation of the franc. This was M. Reynaud's policy during the '30s when he constantly criticized the inadequacy of devaluations reluctantly undertaken by various French Finance Ministers. His remark "too late and too little" became one of the historical bywords of that period. When eventually he became Finance Minister shortly before the war he devalued the franc to such an extent that it became obviously under-valued and therefore easily defensible. This act did not provide a final solution but, together with his other measures, it provided France with a period of much-needed respite, on the eve of the war.

Such a respite is badly needed by that country at the present moment. The alternative would be a decline of the gold reserve through continued trade deficits and through the evasion of exchange controls by those who anticipate a devaluation; curtailment of essential imports of raw materials leading to unemployment; a weakening of the defenses in Indo-China and in France itself through enforced economies on arms expenditure, and a general loss of prestige and demoralization through the evident financial weakness and instability of the country. M. Reynaud was not far wrong in referring to France as "the sick man of Europe."

A devaluation would facilitate French exports and would stimulate tourist traffic. It would reverse the outflow of capital and would strengthen the gold reserve. It would enable industries to concede some wage increases and thereby to avoid some threatening major wage disputes. It would give the Government a chance to prepare the necessary measures to strengthen the financial front without having to make unduly heavy sacrifices in the sphere of national defense.

Having said all this it is necessary to add that the solution provided by yet another devaluation is essentially a temporary one. But then there is a French saying according to which it is only temporary things that last. There is always a chance that the respite may be a long one as it was after the devaluation of the franc by M. Poincare in 1926. Simultaneously with the devaluation France should be given substantial external financial aid in order to inspire more confidence in the franc at its new level. The role of France in the Western scheme of defense is one of first-rate importance. It is essential therefore that she should be given effective aid in her hour of crisis. Although no country is in as good a position as the United States to grant assistance, Britain and other countries should contribute their share as a gesture of solidarity. A consolidation of France's debt to the European Payments Union would in itself go a long way towards improving her prospects. Such improvement would pave the way towards much-needed political stability.

## R. L. Day & Co. to Admit D. D. Hall

R. L. Day & Co., members of the New York Stock Exchange, on July 1st will admit Denton D. Hall to partnership. Mr. Hall is manager of the municipal department in the firm's New York office, 14 Wall Street.

## Jones, Cosgrove Branch

NEWPORT BEACH, Calif. — Jones, Cosgrove & Miller have opened a branch office at 535 Coast Highway, under the direction of Chester W. Boxley.

## Joins J. W. Hicks Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James W. Hackworth has become affiliated with J. W. Hicks & Co., Inc., Colorado Building.

## With Allison-Williams

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Horace N. Gibson has been added to the staff of Allison-Williams Company, Northwestern National Bank Building.

# *Railroad Securities*

## Seaboard Air Line

The stock market has been a rather tempestuous affair in recent weeks. There is ample evidence that investors and speculators alike are in a highly nervous state and the recurring rumors as to the probable outcome of the new truce negotiations in Korea have injected a new note of uncertainty into the picture. Talk of important cutbacks in military production regardless of whether or not the truce negotiations are successful, and the constantly changing prospects with respect to the Excess Profits Tax have also contributed importantly to the feeling of uneasiness. Railroad securities, of course, have not been immune to these pressures even though most of them are at least not affected by the tax controversy.

Railroad stocks have given ground fairly easily in the periodic selling waves that have characterized recent security markets. Largely these declines have apparently reflected a drying up of buying interest rather than any great selling pressure. Most of the time volume has not been heavy. While it is true that rails have participated in the declines, it is also true that in the subsequent recoveries the rails have generally assumed leadership. Students of railroad securities pretty unanimously are of the opinion that this is no more than right and proper.

It is pointed out that earnings so far in the current year have been running well above earlier estimates and that at least for some months to come comparisons with a year ago are almost certain to be highly favorable. Fears of a let-down in business as early as the final quarter are abating, and even if there is peace in Korea and the arms program is modified somewhat, traffic analysts are of the opinion that there is sufficient resiliency in our civilian economy to take up the slack and prevent any serious decline in freight tonnage. It now appears reasonably safe to predict that for 1953 as a whole railroad earnings will top the most satisfactory 1952 level. Such a prospect, in turn, strongly indicates the likelihood of quite a few dividend increases and/or extras for the railroads later in the year.

Some railroad managements have apparently been deterred from raising dividends in the first half of the year by the heavy cash drain imposed by the necessity for paying 35% of last year's Federal income taxes on March 15 and another 35% on June 15 instead of 25% in each quarter of the year. However, at least one road has not been influenced by this consideration. Last week the long-awaited split-up of Seaboard Air Line was announced. Subject to ICC and stockholder approval the split will be 2½ for 1 instead of 2 for 1 that had been expected in most quarters. At the same time the quarterly dividend on the old stock was raised from $1.50 to $2. This is at the rate of $3.20 a share annually on the split stock.

The stock had advanced sharply to new highs for the year immediately prior to announcement of the split and increase in the dividend. Immediately following the announcement, with a combination of profit taking and the general market weakness, the stock had a sizable reaction. While the decline may have had some psychological justification, many rail analysts viewed this as an opportunity to generate new buying interest. By the end of the week the shares were selling to yield a liberal 7% on the basis of the new dividend. Moreover, the stock was selling at only about 5½ times 1952 earnings of $20.16 a share and it is widely estimated that 1953 results will be even better. During the first four months of the current year the transportation ratio continued on the downtrend and, even though maintenance outlays were higher, common share earnings climbed to $8.26 compared with $7.67 a year earlier. With the traffic outlook still favorable and indications of a continuing trend toward greater operating efficiency, it now seems reasonable to look for earnings of at least $22 a share for the full year 1953. On this basis even the newly-increased dividend rate appears as quite conservative.

## Sener Heads Fund Drive in Baltimore


Joseph W. Sener

BALTIMORE, Md. — Joseph W. Sener, partner in John C. Legg & Company, has been named General Chairman of the joint Community Chest drive and United Defense Fund, which will begin in October. Mr. Sener is a Past President of the Bond Club of Baltimore. The Baltimore Security Traders Association, and the National Security Traders Association; he was also formerly Chairman of the Southeastern Group of the Investment Bankers Association of America.

## Robt. Levy Chairman of Standard Gas & Electric

Robert J. Levy, partner of Robert J. Levy & Co., members of the New York Stock Exchange, has been elected Chairman of the Board of Standard Gas & Electric Co., to replace Edward O. Boshell, who has resigned his office as Chairman.

## Henry P. Erwin

Henry Parsons Erwin, a director of the Riggs National Bank, Washington, D. C., passed away at the age of 71 after a long illness. Mr. Erwin in the past was a member of the Washington Stock Exchange, and was associated with the old firm of John L. Edwards & Co.

*Continued from first page*

# 'As We See It

signifying nothing—except an effort of politically minded people who want to "get on record" in case.

These clashes of arms, whether of the Pickwickian variety or not, are of interest. In fact, in different circumstances they would be definitely diverting and even amusing. The thoughtful observer must not — and probably will not — permit it to divert his attention from certain basic facts which are not much in evidence in the dispatches which come in wholesale numbers from the national capital. Let us never lose sight of the circumstance that many of the measures about which there is now so much controversy are preliminary in basic nature. That is to say, they are designed to tide us over until it has been possible to make a thorough restudy, reappraisal and revamping of our national policies.

### Tax Reform

Take for example this business of a six-month extension of the corporate Excess Profits Tax. The President has quite specifically said that the purpose of this plan is to give time to do a workmanlike job on our whole system of taxation. Obviously, such an overhauling could not be achieved in a day, or even a few weeks. If adequate plans can be laid for it in time for really constructive work early next year, the achievement will be no mean one.

The same in general is to be said of the much publicized reduction in Air Force appropriations. The President, himself an authority in military matters, has a new set of military advisers coming into office within a few weeks. He is evidently not wholly satisfied with the views and appraisals of the old Chiefs of Staff—as is well known to be the case also with influential men at the other end of Pennsylvania Avenue—and wishes time for his new staffs to restudy the situation and arrive at independent conclusions of their own. Meanwhile, apparently more funds than the Air Force can spend in the interim are already available from unspent appropriations of the past.

Obviously the proposal to renew the Reciprocal Trade Arrangements Act for another year is of the same stripe. It may be that the President is in this case somewhat more fully prepared with ideas as to precisely what ought to be done, or he may not be, but the fact is evident that influential members of Congress are in need of considerable education or coaxing if they are to come fully over to the ideas which the White House is supposed to have on the subject. Again the program proposed is at bottom one of postponement of action. Other illustrations could doubtless be found and cited, but enough has been said to make it clear that the Eisenhower Administration is, in a sense, feeling its way along, and is not fully prepared as yet to come forward with its global plans. In all fairness, it would appear to us, it is entitled to a reasonable time to work out its ideas and to convert its party to them—so far as conversion is necessary.

But from the longer view, the most important fact to emerge from all this is that the real test not only of party strength and party solidarity, but of statesmanship of both the Administration and of the entire party, will come some months hence, probably soon after the turn of the year. Take the matter of taxation. The Administration and the Republican party, if they are to show themselves really equal to their opportunities, must face such issues as that involved in the wholly undesirable Excess Profits Tax, or the rate at which individuals generally are to be taxed, and the other more detailed questions which seem to be absorbing the attention of the rank and file today. But these are only parts of vastly more important considerations which must not be allowed to go by the board when the question of a full overhauling of our tax structure is to the fore.

### Too Much New Deal

We have been so long under the spell of New Deal and Fair Deal semi-socialism that we are in danger of forgetting some basic and vital Americanisms. One might almost epitomize New Deal and Fair Deal fiscal philosophy in the words: "Soak the Rich and Spend the Proceeds Lavishly." In tax matters this concept of statesmanship takes the form mainly of income taxation so "progressive" as to be all but confiscatory in the higher brackets. This basic idea, moreover, runs through much of the program of the New Dealers and Fair Dealers—runs through it in a way to escape the attention of all but those who follow such matters more or less professionally. Study what the leaders in the so-called social security movement have to say from time to time, particularly about ways and means of financing these hand-outs, and it will soon become evident that the basic idea is to compel the rich to take care of the unfortunate, the improvident, and the incompetent—to take care of them in a way that they have never taken the trouble to take care of themselves.

### Quit Soaking the Rich!

If the Eisenhower Administration does not come to grips with this idea of soaking the rich upon all occasions when it undertakes to redesign our tax structure, it will miss a great opportunity and, we venture to say, lose much of the standing it now has with a good many in the community. We can only express the earnest hope that the Administration when it gets down to reshaping our foreign trade policy will be able to formulate and obtain support for a program far more realistically based than any that the Republican party has sponsored in modern times and any that has found real support from the New Deal or the Fair Deal. What is taking place now appears to be more a postponing of these real tests than anything else. They must not be evaded when the time for them is here.

There are many other issues of similarly basic nature —the iniquitous Securities Acts, for example—but these are the ones which are involved in matters currently under discussion. Let us be reasonable in giving the new regime time to get under way; let us be adamant that it act wisely and vigorously in the end.

## New York Bond Club Elects W. Duryea

Wright Duryea, of Glore, Forgan & Co., was elected President of The Bond Club of New York for the coming year, to succeed Joseph A. W. Iglehart, W. E. Hutton & Co., who was President during the past year. The election took place on June 5 at the

Wright Duryea

R. H. Macdonald

R. Hornblower, Jr.

Club's annual meeting, which was held in connection with the Bond Club Field Day.

Ranald H. Macdonald of Dominick & Dominick was elected Vice-President to succeed Mr. Duryea. Ralph Hornblower, Jr., of Hornblower & Weeks was elected Secretary and Dean Witter, Jr., of Dean Witter & Co. was elected Treasurer.

The club also elected three new members of the board of governors—H. Lawrence Bogert, Jr., of Eastman, Dillon & Co., Hudson R. Lemkau of Morgan Stanley & Co., and Edgard J. Loftus of R. S. Dickson & Co.

Winners in the golf tournaments were:

Ex-Presidents Cup for Foursome Low Gross—Sam H. Lewis and V. T. Low, both of Bear, Stearns & Co., 74.

Candee Cup for foursome Low Net—John D. Cronin Jr., Shearson, Hammill & Co. and R. Donald Gibson, Hirsch & Co., 100—35—65.

Christie Cup for Match Play Against Par—Hosea C. Ballou, Shearson, Hammill & Co., and Edward H. Robinson, Schwabacher & Co.

Marvin Levy, Lehman Brothers, and Gilbert Wehmann, White, Weld & Co., defeated Enos Curtin, Graham Paige Co., and Samuel O'Day, Northern Trust Co., by the score of 10—8, 2—1 (default) in the tennis matches.

Special awards were won by Henry March, Ladenburg, Thalmann & Co.; Thomas F. Staley, Reynolds & Co.; A. Glen Acheson, Bache & Co.; Wickliffe Shreve, Hayden, Stone & Co.; John J. Nolan, G. H. Walker & Co.; George D. Woods, First Boston Corp.

## With Paine, Webber

(Special to The Financial Chronicle)

HARTFORD, Conn.—Edward T. Carr has been added to the staff of Paine, Webber, Jackson & Curtis, 111 Pearl Street.

## L. P. Kilgore & Son Opens

JACKSONVILLE, Fla. — L. P. Kilgore & Son is engaging in a securities business from 42 West Duval Street. Partners are L. P. Kilgore, Sr. and L. P. Kilgore, Jr.

## Harrison Haverbeck

Harrison M. Haverbeck, partner in Harvey Fisk & Sons, New York City, passed away June 5th at the age of 65.

# Bank and Insurance Stocks

By H. E. JOHNSON

## This Week — Bank Stocks

An interesting report entitled "The Case For Bank Stocks—1953" was recently published by Kidder, Peabody & Co., 17 Wall Street, New York, N. Y.

This is the 1953 edition of a similar study on bank stocks made in each of the past several years by the same firm. It is particularly useful to institutional investors because of its basic nature and the opinions expressed.

While the report is concerned with bank stocks generally, pertinent facts are presented on 28 of the major financial institutions throughout the country, including 14 in New York and 14 in the other principal cities.

The date of the Kidder, Peabody report is April, 1953. Although there have been a few changes in the data presented since that time, the fundamental factors still apply and the opinions are still believed valid. Therefore, we present the highlights taken from the report summarizing the position of bank stocks.

"The large loan volume and the higher interest rates indicate that the outlook for bank earnings is favorable.

"Loans outstanding were higher at Dec. 31, 1952 than for any previous year-end. The interest rates earned on loans and investments trended upward last year, and reached their highest point in December. Hence, earnings from loans and investments in the current year should be above 1952, even if there are no further increases in loan volume or investments, or in interest rates. The gain in income due to these factors should more than offset any increase in expenses and taxes.

"Present dividend rates appear secure. Last year, 12 of the 28 banks included in this report increased their dividend payments. In spite of the increases in disbursements, current dividends for the 28 banks represent only 58% of 1952 earnings. Other dividend increases, therefore, appear possible.

"The yields are fair. The continuity of income has been outstanding. Consecutive dividends have been paid for nearly three-quarters of a century on the average by the banks under review.

"Book values are stated on an ultra-conservative basis. The book values do not include substantial reserves which have been established by the banks. Assets are highly liquid and include substantial amounts of cash and U. S. Government securities.

"There appears to be an expanding demand for equities of the 'Prudent Man' type by fiduciaries and other investors. Under present tax legislation, the investment by corporations in bank stocks provides a substantially higher yield, after Federal taxes, than high-grade corporate bonds. Corporations owning bank stocks (or other common or preferred stocks) are allowed an 85% dividends received credit. Corporate bond interest is fully taxable.

"Since Korea, the market price index of the New York City bank stocks has risen considerably less than the Dow-Jones Industrial Average. Bank shares are selling at about their lowest ratio to this average since 1918.

"Bank stocks appear to offer substantial appeal in a period marked by inflationary influences, such as the last decade. Since 1939, for instance, rising dividends and the increase in stockholders' equity have largely offset the decline in the purchasing power of the dollar.

"The banks have prospects for relatively stable earnings in a leveling or recessionary period in general business activity.

"Bank stocks appear to have considerable attraction for conservative investors interested in a fair yield and possibilities of price appreciation."

These statements and opinions are supported by historical data going back to 1939 in the case of earnings and dividends and 1918 in the case of stock prices. In each instance detailed statistical information is presented on all of the individual equities.

As can be seen, the Kidder, Peabody & Co. report, because of its fundamental character and interesting opinions, is a valuable study for investors interested in bank stocks.

## N. J. Darling Director

Nelson J. Darling, of Paine, Webber, Jackson & Curtis, has been elected a director of General Telephone Corp. of Pennsylvania, one of the major units of the General Telephone system.

## With F. I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edward K. Roberts has joined the staff of Francis I. du Pont & Co., 677 South Figueroa Street.

## Joins Hirsch Staff

Hirsch & Co., members of New York Stock Exchange and other exchanges, announce that Harold W. Freedman has become associated with them in their 655 Madison Avenue office in New York City.

## New Paine, Webber Brch.

ASHLAND, Wis.—Paine, Webber, Jackson & Curtis has opened a branch office at 212 Second St., West under the direction of Harold G. Main.





Continued from page 17

# Interesting Tax Rulings

tax. And if he again took advantage of the "joint splitting" provisions of the gift tax laws by having his wife join in the gift tax return, he could transfer, in the example given above, $54,000 each year instead of $27,000, tax free.

At one time, the use of trusts to make gifts, including the $3,000 annual gifts, was very popular. But then the Courts held that most trusts as they are drawn create gifts of future interests, and hence do not qualify for the $3,000 annual exclusions. In the last year there were quite a few cases coming before the Court on this subject; and it may be said that if the trust is properly drawn, it may be used. The Courts have indicated two clear-cut channels. The first would be a gift to a trust where the income must be distributed to the life beneficiary each year; and there can be no accumulation of income or right to invade or use the *corpus* for any purpose, no matter how worthy. The second would be a gift to a trust where the beneficiary is in fact the real owner of the trust *corpus*, but the trustee might have more right of investment. An example of this would be an instrument which says that the gift is made to Mr. Beneficiary, but Mr. Trustee merely holds the assets, can invest the trust *corpus*, collect the income and pay same over to Mr. Beneficiary, and Mr. Beneficiary can have the *corpus* any time he wants it because it belongs to him.

In the first example above, it is not the value of the gift to the trust which comes under the $3,000 annual exclusion, but rather the value of the life interest of the primary life beneficiary. The Courts says that if anyone has the right to terminate the trust or to invade the *corpus* such as for the support of the life beneficiary, or to pay over the *corpus* to the life beneficiary, this impairs the value of the life interest. But it can be said unequivocally that if the trust is properly drawn, the avenue is open under present law to eliminate gift taxes and estate taxes for three generations on a substantial portion of a person's estate.

### Agreement Not to Compete

A well known business agreement is best described as an agreement "not to compete." Such an agreement is customarily made when one man sells a business to another; and the purchaser requires that the seller will not start up a competing business or at least defer for a certain period of time. The question presents itself as to whether the payments which are made to obtain the "agreement not to compete" are deductible as ordinary expense; or, if they are capital expenditures, then to what extent they may be amortized. A reciprocal question is then presented as to how the payments received are to be treated in the hands of the seller.

As a general rule, it may be stated that amounts paid for an agreement not to compete for capital expenditures which may be amortized ratably over the life of the agreement. But if the payment made for the agreement not to compete is nothing more than part of the transfer of good will in the sale of a going business and non-severable from the good will, then the payment is not subject for the deduction for depreciation. From the recipient's viewpoint, payments received for an agreement not to compete are taxable as ordinary income; except that if the agreement is given primarily for assuring to the purchaser the beneficial enjoyment of the good will transferred, then the agreement is regarded as non-severable from the good will and the payment received is treated as a capital payment. The nub of the question really is whether the agreement not to compete is actually dealt with as a separate item in the transaction.

### The Problem of Receiving Excessive Compensation

The problem of disallowance as a deduction for tax purposes of excessive compensation paid by a corporation to an employee is well known. It usually results in a double tax. The corporation cannot obtain a deduction for the amount of excessive compensation paid, but the employee must include in income the entire amount because it was, in fact, "compensation" and compensation is taxable income. This problem usually only arises when the corporation is closely held and the employee is a controlling stockholder or a member of his family.

Two recent cases decided by the Supreme Court push this inequitable doctrine still further. In each of these cases, the Commissioner had been successful in obtaining a determination that the compensation paid was partly excessive. Therefore, a tax deficiency was obtained against the corporation. Then, the Commissioner claimed that by reason of the excessive payment the corporation became insolvent and would not pay the tax deficiency. Hence, the employee who received the excessive payment became liable as transferee and had to pay the corporation's tax deficiency. The employee then filed a claim for refund. The Commissioner said, "You have a right to claim a deduction and obtain a refund in the year you paid the transferee liability." But the employee said "No—I'm entitled to a refund for the year in which I received the excessive compensation, because being liable as a transferee, I was really a trustee of the excessive compensation received."

The reason for the dispute is obvious. The taxpayer was in a higher tax rate bracket in the earlier year when he received the excessive compensation—and, in any event, if he obtained the refund, he would obtain interest thereon at the rate of 6% per annum. However, the Supreme Court held against the taxpayer, saying that taxpayer had received the compensation under a claim of right. He had the right to use it. The question of whether he might ever have to pay it back was not known then, and might never have arisen. Hence, the victory went to the Commissioner.

This inequity in the law would well be worthy of correction by Congressional action; and I would not be surprised if something is done about it in the next year or two.

### Does Government Have Transferee Claim Against Corporation When Individual Transfers Assets to the Corporation in Exchange for Stock?

Many times an indivdual as a sole proprietor, or the partners of a co-partnership, will transfer all their assets in such business to a corporation formed by them in exchange for all the stock of the corporation. The assets in the business will often times constitute substantially the only real assets of the individuals. Thereafter, the government will assert a claim for taxes against the individuals for tax liabilities which arose prior to the date of the transfer; but which were not uncovered until after the date of the transfer of the assets to the corporation in exchange for the stock. Under these circumstances, if the transfer was made by the individuals to the corporation in good faith without intent to defraud their creditors, it is doubtful whether the government can assert a so-called transferee claim against the corporation. The only claim, in such case, would be by the government against the stock received by the individuals.

The particular significance of this can be better realized should the corporation thereafter go into bankruptcy. Does the government have a priority claim in the bankruptcy based on the tax liabilities of the individuals which preexisted the transfer? It would be my general view that the government would have no claim whatever for such taxes so long as the corporate structure and transfer stood unimpeached. The reason would be that the individual taxpayer had received stock of the corporation of the same value as the assets transferred. Of course, if on the transfer of the assets to the corporation, the corporation assumed the pre-existing tax liabilities, then the government would be a creditor of the corporation.

### A Tax Free Transfer Will Not Ordinarily Permit a Net Operating Loss Carry Over or Carry Back From One Corporation to Another

When a business moves from one state to another, sometimes it becomes advisable to change the state of incorporation of the company. Thus, for example, if a business incorporated in New York for years had its plant in Long Island City, New York, and then moved the plant and offices to Trenton, New Jersey, it might seem that it would be practical to form a corporation in the State of New Jersey; have a tax free transfer of the business from the New York corporation to the New Jersey corporation; and dissolve the New York corporation. In this way, it will not be necessary to have a foreign corporation conducting the business in New Jersey. But the real tax consequences of this act are all too often overlooked insofar as it concerns net operating loss carry overs and carry backs.

Probably everyone who is conscious of tax consequences knows that a net operating loss may be carried back one year and carried forward as much as four years to be offset against any profits made in those years. Therefore, it isn't often that a corporation having a net operating loss is liquidated or its business transferred without careful study being made how the net operating loss may be used up. Often times an effort is made to sell the shell of the corporation if it isn't otherwise to be used. But the fact remains that the net operating loss of the new corporation cannot be carried back against the profit of the old corporation. This was so held by the Supreme Court many years ago, and the ruling has not changed since. Yet, it is really surprising to observe the number of cases which come up dealing with this simple point so frequently overlooked by so many. The old corporation and the new corporation are treated as two separate and different taxpayers.

The problem equally comes up in bankruptcy reorganization cases. Thus, where the company is in financial difficulty and undertakes to reorganize in a Chapter 10 proceeding under the National Bankruptcy Act, the question frequently presented in formulating the plan is whether a new corporation should be formed or the old corporation's capital structure, etc., should be changed. The better judgment, if there is a net operating loss to be availed of, is to use the old corporation —and not to form a new one.

A few additional points to keep in mind on this subject are:

In one tax court case, the corporation was in the glove manufacturing business when it had its loss. The capital stock of the corporation was sold to new owners. The corporation, changing the corporate name, then went into the jewelry business and made a profit which it carried back against the prior loss. This was held to be O. K. because it was still the same corporation.

In a District Court Case, a carry over was permitted where the corporation's business was taken over by a reincorporated company, the formation having the effect of merely extending the charter of the old corporation. But a carry over was not permitted where the original corporate charter was terminated because of failure to pay license fees.

Where there is a statutory consolidation, the new successor corporation is deemed a new taxable entity; and as such the operating losses of the former consolidated companies cannot be carried forward, and the net operating loss of the new corporation cannot be carried back.

But in a statutory merger, there is nothing which would prevent the net operating loss which occurred prior to the merger of the company which continues its corporate existence to be carried forward. But the merged corporation which loses its identity will lose the right to carry forward any loss which occurred prior to the merger.

The answer to many of the problems is: Don't merge, consolidate or dissolve, unless absolutely necessary — but consider making one company a subsidiary of the other and filing consolidated returns.

### Effect of Net Operating Loss Carry Back in Relation to Fraud and Deficiencies in Prior Years

The tax law clearly says that a net operating loss is to be carried back or carried forward, and be a deduction in the earlier or later year, as the case may be, as if it were a loss actually occurring in that year. Thus, if a taxpayer for 1950 had a tax liability of $5,000 on $20,000 of profits, and in 1951 had an operating loss of $20,000—the loss for 1951 is carried back to 1950, thereby eliminating all profits for 1950, and also reducing the tax liability for that year to zero. The taxpayer would therefore get back his $5,000 of taxes if he had paid them.

But suppose the taxpayer of 1950 actually had a larger income with the result that his tax was $10,000 instead of $5,000—but only the $5,000 tax was reflected in his return when he filed it on March 15, 1951. And let us assume that the net operating loss in 1951 when carried back was large enough to eliminate all the profits and all the tax liability in 1950. Nevertheless, the Supreme Court has held that the taxpayer must pay interest on the $5,000 of taxes which he originally failed to report and pay, notwithstanding the fact that the tax liability is actually eliminated and he doesn't have to pay the taxes at all.

Along similar lines was the holding in another recent case where the taxpayer was indicted and tried for filing a false and fraudulent return. At the time of the trial, he proved that the net operating loss for a later year when carried back to the year of the tax return on which he had been indicted, eliminated all net income and all his tax liabilities for that year. Therefore, he argued, how could he be tried for failure to pay taxes which he didn't owe. That seems to make sense. But the Court threw out the taxpayer's argument and in effect said: At the time the return was filed it was false and fraudulent; and facts which occurred later on, which taxpayer had no reason to believe would occur, cannot be used to make a false return a true return for purposes of criminal prosecution.

### The Professional Man Gets A Deduction

The cost of education is generally considered a personal expense. But what about the professional man who attends courses in order to keep his "learning" current and up to date? The Court of Appeals for the 2nd Circuit has now reversed the Tax Court and said that such expense is properly deductible as an ordinary and necessary business expense.

In this case, an attorney, a member of a law firm engaged in general practice, and whose partners relied upon him to keep current on tax laws and changes because this was necessary for their practice, attended a course on taxation and in that connection spent several hundred dollars for tuition, travel, board and lodging. The Commissioner of Internal Revenue took the position that the taking of special courses and training is personal in nature and not deductible. But the Court of Appeals said that such expense "was a way well adapted to fulfill his professional duty to keep sharp the tools he actually used in his going trade or business. It may be," the Court went on to say, "that the knowledge he thus gained incidentally increased his fund of learning in general and, in that sense, the cost of acquiring it may be a personal expense; but we think that the immediate over-all professional need to incur the expenses in order to perform his work with due regard to the current status of the law so overshadows the personal aspect that it is the decisive feature."

### Information Returns

Treasury Department regulations require that any person making a payment to another of $600 or more in any calendar year of certain types of payments, such as rent, salary, wages, annuities, or fixed or determinable gains, profits, etc., shall make a return on Form 1099 of such payment, accompanied by transmittal Form 1096, showing the number of forms 1099 filed. Form 1099 gives the names and addresses of the payee and the payor, amount and kind of each payment. Form 1099 need not be signed, but Form 1096 must be signed by the payor. The Supreme Court has held that the wilful failure to file Form 1099 is not a crime, but the implication of the decision is that the wilful failure to file Form 1096 is a crime. Where the indictment only referred to Form 1099, the indictment was defective.

The significant feature of this case is that it is apparently the first of its type to go to the Supreme Court. Also, it demonstrates the constant vigilance on the part of the Treasury Department to have taxpayers file information returns. While the Bureau of Internal Revenue will reduce its personnel by about 460 employees in the Processing Branch at Kansas City, this will not hurt the Bureau's system of matching information returns against individual income tax returns.

### Travel Expenses Between Home And Business

One of the most constant questions which comes before the Court, particularly the Tax Court, for decision concerns the expenses which a taxpayer has to travel to another city and live there while he is working there. It is quite unfortunate, but the Tax Court continues to repeatedly hold that, where the taxpayer's home is in one community but his place of employment is in another, his expenses for traveling between his home and place of employment are not deductible, and also, his expenses for living at the place of employment are not deductible. The reason for the rule, according to the Tax Couprt, is that "for tax purposes the man's home" is at his place of employment, and any travel expense he has to go between his place for employment and his "actual home" is personal in nature. Where a question of this type arises, and the amounts are substantial in nature, a taxpayer would probably have a better chance of having the deduction stand up by paying the tax, and seeking a refund by a suit in the United States District Court, with a jury. This would be much better than testing the issue before the Tax Court.

### Treasure Trove

The lucky individual who finds a treasure has to pay Federal income taxes on it, according to a recent ruling of the Treasury Department. The Bureau has ruled that in the year the treasure trove is reduced to possession income is received to the extent of its value in United States currency. But whether the Bureau is correct is a question which someday will have to be decided by the Courts.

### Tax Changes Being Studied

There is the constant struggle at all times for the tax man and the taxpayer to legitimately avoid taxes by finding new and different loopholes in the tax law. At the same time, the Treasury Department is constantly exercising vigilance to close up these loopholes as rapidly as they are uncovered. Yet, at the same time, Congress is not unaware of the necessity of making tax laws equitable in all respects. Over the last few years, the number of changes in the tax laws which have eliminated inequities have far exceeded those closing loopholes. Some matters genuinely under consideration include the following:

The entire tax treatment of pension and retirement plans and of so-called fringe benefits is among the first being studied. The Bureau thinks that many illogical discriminations have developed which should be corrected.

Pension and profit-sharing plans to cover individual proprietors, co-partners, professional men and the like, will undoubtedly be approved in the not too distant future. The failure of the present law to permit coverage of the sole proprietor, general partners, professional man, etc., is one of the outstanding gross inequities of the tax law.

The necessity for permitting more rapid depreciation of investments in capital improvements, plant and equipment, or at least a higher initial depreciation, is carefully being studied. The granting to management of greater discretion in the timing of depreciation, in the long run, will result in the increase of total investment, national income and total tax revenues.

Expense accounts are under close scrutiny. The advantages of their use and misuse are too well known.

Exemption from tax on earned income by individuals who spend at least 17 out of 18 consecutive months in foreign countries is in for some possible change. This law was basically enacted to encourage persons with special technical skills to accept employment in foreign countries. But advantage of the law has been taken by highly paid individuals whose work in foreign countries is clearly of a transitory nature, such as moving picture stars who will insist that their pictures be made in Europe.

Earned income credit. Child and Dependency Expenses of working wives. The 3% annuity rule, etc., etc.

These are but a few of the tax changes which are being studied and considered under the new Administration in Washington. Many changes may be expected. Exhaustive hearings by the House Ways and Means Committee will commence on June 16. Altogether 40 different topics will be taken up.

## Bankers Offer Stock of Amer. Gas & El. Co.

Public distribution of 800,000 additional shares of American Gas and Electric Company common stock, par value $5, was made yesterday (June 10) at $29 a share by a nationwide group of investment firms headed jointly by The First Boston Corp. and Union Securities Corp.

The utility holding company will use the proceeds from the sale for investment in additional common stocks of several of its operating subsidiaries as well as to purchase $4,000,000 in common stock of Ohio Valley Electric Corp., which corporation will supply the power requirements for the Atomic Energy Commission's project in Ohio. The several operating subsidiaries will use the funds received from the sale of their common stocks to meet part of the estimated costs of their construction programs.

The nine utility companies which comprise the parent company's operating system supply electric service in seven southern and midwestern States, serving over 2,000 communities with an estimated aggregate population in excess of 4½ million. The nameplate rating of all generating plants included in the system totals 3,032,271 kilowatts. Expenditures by subsidiaries for additional generating capacity and related equipment are estimated at $127,630,000 in 1953 and $86,020,000 in 1954 which will increase the system's generating capacity by 1,000,000 kw.

Dividends on the company's common stock have been paid in each year since 1909. The latest payment, amounting to 41 cents per share, was made on June 10, 1953, and followed a 2½% stock dividend and a two-for-one split made on March 10, 1953.

Net income of the parent company for the 12 months ended March 31, 1953, amounted to $21,092,878, equal to $1.80 per share based on the average number of shares of common stock outstanding during the period.

## Wm. R. White Officer of N. Y. Security Analysts

William R. White

William R. White, Hornblower & Weeks, New York City, was elected an officer of the New York Society of Security Analysts. In the "Chronicle" of June 4, in reporting the Society's election, a cut of William White of the Lackawanna Railroad was inadvertently inserted for that of Mr. William R. White, whose correct picture is given herewith.

*Continued from page 14*

## Business Outlook Dubious In Second-Half of 1953

tent and at such a rate that today the sum total of this item, which is $25.7 billion, is greater than all the assets of all the savings banks, all the assets of all the savings and loan associations, 60% of all the time deposits in all the commercial banks and 30% of all three together.

### Alarming Growth in Consumer Debt

The growth in short-term consumer debt is the most alarming debt increase with which we are presently confronted. In 1945 total consumer debt was $5.6 billion and instalment debt was $2 billion of that total. Today the total of consumer debt, as just stated, is $25.7 billion and the total of instalment debt is over $19 billion. These debts are short-term debts. They must be paid in varying periods of from one month to three years. To pay them out of current income we must have no falling off in production or employment and yet we are committed by this Administration to a policy of retrenchment, which almost guarantees that we will have less production and less employment. The recession which is inescapable is not of itself a serious matter. By definition, it is a return from an abnormally high level of activity to a normal level of activity and is healthy. A depression is a retreat from a normal level of activity to a subnormal level of activity and is unhealthy. It is extremely difficult to keep a recession from running into a depression, particularly if the recession itself produces any substantial number of debt defaults, every one of which contributes to the uncertainty on the part of the lender, which in turn produces the insistent demand for repayment and still further defaults.

It has been said with complete accuracy that it makes no difference how the money was obtained as long as no one wants it back. When that time comes, it makes all the difference in the world.

The impact of all this on the managers of the thrift institutions should be reasonably apparent. Today's high level of business is being sustained in part by continued credit expansion. When this stops, as it must, demand will decrease and we will be confronted with the problem of overproduction. When debt repayments exceed credit extensions these funds will have to come out of savings or out of current purchasing power. No one knows the extent to which today's savings are vulnerable but the mere fact that they are vulnerable to any extent whatever should prompt the managers of the thrift institutions to exercise more than ordinary caution in the maintenance of liquidity and loss reserves. This could prove to be the cheapest insurance policy such an institution over took out.

Summing up the entire discussion: The Administration is confronted with the problem of accomplishing a slowdown and avoiding a breakdown. Managers of the thrift institutions could find themselves in serious difficulties even in a slowdown. The policy of conservatism is always sound. Under existing circumstances it is imperative.

*Continued from page 15*

# A New Look at Utility Regulation

equation—the organic legislation plus the persons who administer it. The basic Acts under which the several Commissions operate range in scope from relatively ineffective powers to strong and sweeping delegations, in some cases approaching the limits of management of the property itself.

It is true that there is something basically appealing to management about the thought of operating freely with little or no restraint imposed on the utility by statute. After all, who would be the first to complain of imprudent management if it were not the owners? It needs little thought, however, to detect the fallacy in this position. The characteristics of the utility business—the profound public responsibilities of the utility company, the relative absence of competitive controls, the tremendous size and investment involved, the widespread ownership and the concentration of economic power, prompt such statements as former President Hoover made to an audience recently when he said, "Free men can no more permit private economic power without checks and balances than governmental power without checks and balances."

**Problems of Administration**

When we turn to the personnel who administer the laws, some of the more difficult problems begin to emerge.

Not the least of these is the traditional hostility which society has had towards bureaus and agencies as opposed to, for example, the Courts. The danger is, as Thurman Arnold has said, "that a few bureaus are necessary perhaps in a complicated civilization, but if the bureaus increase in number and power, we suddenly find that without knowing it we have created a 'bureaucracy,' which is one of the worst fates that can befall a free people. The distinction between bureaus and courts is important. Courts are bound by precedent, and bureaus are bound by red tape."

As part of the administrative law structure, however, a utility Commission is suspect of harboring within it many of the seeds of this bureaucratic abuse. There are even many who disagree on the proper organization and function of a utility Commission. Should it be passive, independent and judicial, acting only when matters are brought before it? Should the Commission act merely to make findings of fact and recommendations, or should it affirmatively and aggressively play an exclusive role as the protector of the public against the alleged monopolistic oppression of the utility?

Each of these positions has much to recommend it. The best answer seems to be that the customer is entitled to aggressive protection of his interest, while the utility and its investors are entitled to an equally responsible and impartial tribunal. As we shall see, however, truly sound regulation sees no dilemma in this predicament. Properly administered, organized and staffed, there is no danger of bureaucracy in a regulatory agency.

Some of the fears are well-grounded, however, for the discretion entrusted necessarily to the regulatory agency is wide indeed. Like the idea of censorship, regulation to a large extent is as good and as valid as the men who administer it. Its big weakness is that it depends for its vitality and validity on the person of the regulator and on his integrity. Recognizing this, Commissions have been traditionally plural, providing for the benefit of group thinking and discussion as is found on our appellate benches.

The duties and functions of today's Commissions are only too well-known to this audience. Because their decisions affect all concerned, so vitally, only a well-informed Commission adequately staffed and compensated should make the key decisions. These men need not all be experts in the techniques employed, that is, in all the refinements of the industry, but they should be men of sound judgment. There is nothing more potentially harmful to the regulatory process than regulators so steeped in detail they cannot see around their subject. Over-specialization in the person making the final judgment is dangerous in any field. There can be no doubt that highly skilled men trained in the mass of detail which busies the Commission should be available at every stage in the process of rendering decisions. But, it is one thing to urge the need for expert consultation at every stage in making policy; it is another thing and a very different thing to insist that the experts' judgment must be final. The expert sacrifices the insight of common sense to the intensity of experience. "Experts" said one observer, "must always be on tap but never on top."

But, the problem is to obtain and hold the type of varied personnel—experts on the staff and advisory level, men of sound judgment and unquestioned integrity on the Commission level.

It is frequently observed that it takes from four to six years of regulatory experience before a Commission or a member of the Staff is fully conversant with the problems in the utility industry. Yet during this period and after the individual has obtained a degree of skill and experience, the compensation paid to these men is dangerously inadequate. How can the Commissions provide the public and the utility industry with the caliber of regulation contemplated by law unless Commissions can be assured of the continuity of personnel and policy which comes from experience? How can Commissions expect to attract and retain experienced personnel unless they are fairly compensated?

As you are aware, and as is true in most human situations, individual companies are deeply involved with the problems of their own businesses. Public Utility Commissions, on the other hand, must be familiar not only with the many problems of your industry, but are necessarily interested in and concerned with all the problems of all the utilities subject to their respective jurisdictions. The business of regulation makes it necessary for the Commission and its Staff to be familiar with railroads, motor common carriers, gas companies, pipe line companies, water companies, telephone and telegraph companies, busses, taxicabs and warehouses, in addition to electric public utilities. It is humanly impossible for anyone to be fully conversant with the functioning, financial aspects, and the many varied problems which arise in each of these categories without a great deal of training and experience in the field of regulation.

The development of atomic piles has progressed beyond the laboratory and discussion stage and now presents a current problem for the electric utility industry. This represents but one of the newest technical questions with which regulatory agencies must necessarily deal and illustrates the breadth of the experience required properly to administer the regulatory process.

Ever since the United States Supreme Court was persuaded to accept the theory that the Fifth and Fourteenth Amendments protected utility property from confiscation resulting from unreasonably low rates, regulation has operated between this floor on the one hand and the ceiling of unreasonably high rates on the other. Broad as these markers have left the path, the final responsibility of marking the proper line where reasonableness lies in a particular case rests with the utility commission.

But this duty of determining the revenues which are sufficient for the company is influenced by many other considerations which are the responsibility of the Commission. For the fixing of rates would be largely emasculated without the correlative responsibility and jurisdiction over the adequacy of service, safety standards, security issues, accounting practices and principles.

The decisions of Commissions then accumulate over a relatively short period into a body of influence and policy which can and do affect the companies subject to their jurisdiction and in turn their customers and investors. For example, the decision in any particular rate matter is compounded of subsidiary decisions respecting the cost of capital, historical, present and prospective, the debt ratio, the value of service, the reasonableness of the operating expenses, and the design of the rate structure itself, to name a few.

**Objectives of Regulation**

From this brief catalog of considerations which weigh a Commission decision, it should be obvious that for selfish reasons alone, the public, utility companies and investors should make every effort within their power to assure themselves that their respective interests are ably and effectively weighed and judged at the Commission level. The nature and modern concept of the function of a Commission, however, discloses that these interests when extended far enough merge into one common theme. That is, the preservation and encouragement of a properly financed and healthy utility structure, ably designed to take advantage of technological developments in the industry and pricing their services at rates which will promote the greatest volume at the lowest unit cost consistent with sound economic principles. This is the end result at which the public, the company, investor and Commission together should aim. Under a sound Commission, ably staffed and administered, such an end result can be achieved. Good regulation contributes much to the welfare of the people and the prosperity of the State.

For a reason far less personal and selfish than the prosperity of the individual company, utilities generally should welcome, encourage and support strong, firm and just regulation. There is no doubt in my mind for the reasons already touched on that the firmest bulwark between State ownership and the continuation of a private-shareholder ownership of the utility industry lies in the hands of the regulatory bodies. For this reason, if for no other, the public and the utility industry has a tremendous stake in the health and continuation of good utility regulation.

When the public, the companies, and their investors realize the stake each has in good regulation, much of this problem will be on the way to solution. It is to everyone's advantage that service standards be as high as possible and rates as low as possible. The Commision which misconceives its position and presumes that its principal purpose is to oppose the industry can do no one any good. If it becomes so persuaded of the infallibility of management or is so inadequately staffed that it is unable effectively to question the policies of the companies, the injury to the public and the investor, although indirect, is no less serious.

It must have intelligence enough to judge surely and confidently. It must have independence enough to judge fearlessly. As is well known to utility lawyers, public utility regulatory agencies in their opinions are deciding questions of law which within very broad limitations are final judgments. They are making law just as surely as are the Courts. They are also making findings of fact with sweeping consequences which are virtually incontestable except on the basis that they were arbitrary or clearly contrary to any evidence on record. It may amaze you as it did me, when I became aware of the fact that in terms of dollars and in terms of people affected, Commission decisions are concerned with matters of far greater magnitude than almost any of our high state court proceedings. Moreover, the concern which the court has in a given proceeding ends in practically all cases when judgment is rendered. It is an *ad hoc* decision and being *res judicata* is a closed matter when upheld on appeal.

The utility Commission, however, has a continuous responsibility in every matter before it. Regulation is a continuing process and a Commission's concern is only beginning with the issuance of a decision. It must continue to live with the consequences of every decision long after it is rendered. Its responsibilities, therefore, are far greater than those of many courts in most proceedings. So long as Commissions guard their status as independent quasi-judicial agencies, however, this responsibility can be ably discharged.

In some instances, however, their judgments have not been entirely free of pressure. This is a shameful mockery of the concept of the quasi-judicial regulatory agency and should be eliminated as promptly as education can do the job. The Honorable John Lodge, the great Governor of the grand State of Connecticut, has stated:

"As Governor, I have never interfered, nor would I ever seek to interfere with the Public Utilities Commission of our State in its judicial functioning. So far as its judicial sphere is concerned, a public utilities commission is, in my opinion, entitled to the same scrupulously safeguarded freedom of action as we accord to the courts to which the commission's decision may be appealed."

This is the dignity to which all states and all Commissions should aspire. This is the ideal which all of the public, all companies and all investors should combine their efforts to aid Commission regulation in achieving. When that purpose is accomplished, men can say confidently, that in regulation, there is an example of one social institution which has progressed as rapidly as has scientific progress in the field with which it is concerned. The outstanding paradox of our civilization is that men have provided us with the machines of a giant but our social maturity is adolescent at best. We have mismanaged and almost bungled this spendid equipment. A unique opportunity is yours, gentlemen of the utility industry, to recognize this paradox and to accept the challenge presented in it as part of your responsibility to work for sound, able regulation.

Let us briefly review some of the ways in which regulation can affect the ratepayer, company and its investor. This will disclose final and conclusive proof that it is in the interest of the regulated to insist on good regulation as much as it is to insist on good management.

**The Investors' Interest**

Consider the cost of capital. If anything typifies today's utility industry it is the steel skeleton of a new generating station rising against the sky or the long slash of a natural gas pipe line trench stretching away to the horizon. Billions of dollars have been invested since the war in new equipment and plant facilities. And billions more will be invested before this trend slackens, according to the best informed people. Because a utility cannot and should not be permitted to expand its plant from surplus earnings supplied by ratepayers who will be required to pay a return on plant they built themselves, this money must be supplied by investors—large and small, institutional and individual. The eagerness with which they avail themselves of the investment opportunities measures in large part the price the company seeking the money must pay for it. And need I remind this audience of the importance the cost of money is in the ultimate rate which consumers must pay for service.

Now, the investment counselor and the investor are a cautious lot—particularly in the utility field. A great many factors influence their decision to buy at a given price and hence determine the cost of capital to the company. Aside from governmental fiscal policy, however, the confidence in the company is probably the greatest single factor. A Commission with a just reputation for enforcing conservative fair and sound rate policies, capitalization ratios, financial reporting and accounting procedures, to name some, is of first importance to such a determination. The investor knows where he stands. The company reports are fair and accurate and the investor can draw a reasonable conclusion as to the future.

More and more the traditional investor's attitude that his interest stops at the last line of the income statement is being changed. True there are many factors between the utility operating income and the net after income deductions, such ac capitalization and management policy. As time goes by, the confidence of the investor in the capital structure of the company grows. With the increase in the investor's confidence in the protection of his investment, his willingness to invest grows. The result is a reduced cost of money to the company which benefits the consumer and the investor alike. The impairment of the financial health of a utility only serves to increase the cost of service to its customers in the final analysis.

The chief remaining influence not affected by regulatory powers is management itself. But our traditional American concept prohibits this area from trespass. Here lies the sphere for free enterprise to demonstrate itself in the utility business.

**The Consumers' Interest**

Now, let us consider the problem of the consumer. If he has had demonstrated to him by a history of good efficient service on the part of the utility that his company is a good company—his price consciousness is not nearly as acute. Experience demonstrates that a ratepayer's concern over a price rise is much more acute where service is poor; that his concern with service outlasts his concern over the higher rates. It is the vagaries of uncertain voltage—a flickering television set—a burnt out motor—an outage at mid-day idling hundreds of workers and costing thousands of dollars in lost time—these are the real concerns of the customer.

But, insurance against such uncertainties is possible provided you have a good plant. Good regulation permits and encourages such facilities by cooperation between the company and the Commission in anticipating its needs, by making only realistic claims before the Commission for the need for additional funds and by the Commission recognizing this need for expansion and accommodating its thinking to it.

In such a climate, service will be adequate and reliable, rates reasonable and confidence in the Commission and the companies complete.

### The Problem of Rates

Before closing, let us consider the problem of rates a little more specifically. A sound Commission will follow a policy which will encourage the company to utilize all the data available to determine as accurately as possible the expense and plant responsibility of each class of customer and to price its product accordingly with competitive and other economic limitations in mind. The Commission which is adequately staffed and equipped will weigh these judgments and fix rates based not on expediency or instinct. Thus, the forces of supply and demand will be brought to bear in improving the load factors and encouraging the greatest volume of use of the company's product to the advantage of the company and customer alike.

But only in a fearless and informed regulatory climate are such decisions possible.

If this industry wants to assure its continued prosperity and expansion and to enjoy the confidence of its customers and the public generally, it can do nothing better than to lend its great weight to the end of achieving a uniformly improved utility regulatory climate throughout the 48 states generally and the territories and insular possessions. It will not be done in a day. But each day spent doing it will be 24 hours closer to the ideal and an immeasurable distance farther from the end none of us wants—state socialism.

Commissions are called upon in each jurisdiction to regulate billions of dollars of investment and to control the expenditure of ratepayers' dollars which are small in individual cases but amount to millions in totals. This huge investment and this great expenditure are entitled to the protection consistent with the great part they play in our economy. Only a Commission which is adequately staffed can discharge this responsibility objectively and efficiently without undue delay.

Every fair and ethical effort should be brought to bear on the appropriate governmental authorities to see that this type of regulation is provided.

The companies will be on far firmer ground in their protests against the incursions of the Federal Government into the field of state regulation if they can point to a vigorous and able state commission, organized and equipped to discharge the obligations implicit in public regulation. States' rights are best discharged by recognition of states' duties.

I am confident these objectives of good regulation are consistent with the highest ideals of the public interest and that a cooperative effort to support good organic legislation, informed, dispassionate and mature interpretation, adequately staffed and compensated commissions, and a mutually cooperative attitude by companies, commissions and ratepayers will do much to cement a strong utility structure and thus a strong economy.

The true protection of our free, private enterprise system in which the public utility industry is basic, is a soundly conceived and independently conducted system of public regulation in the public interest. The alternative insofar as the utility business is concerned is and always will be state ownership and control. It is in this particular respect that those who are regulating and those who are regulated are united in unalterable opposition.

*Continued from page 5*

# The State of Trade and Industry

tions between leading steelmakers and the union, states this trade publication.

The extent that base prices will rise depends on the amount wages are increased. At the moment all the signs point to a wage settlement without a strike. The steelworkers have not specified the amount of wage increase they seek, but trade gossip has it they will be satisfied if they get around 10 cents an hour. Almost to a man steel executives oppose a wage hike at this time, but their position on the question has been weakened by recent revisions in automotive wage agreements, continues "Steel" magazine.

In event steel wages are raised 10 cents an hour, market observers are of the opinion base prices will rise $4 to $5 per ton. Such an increase added to those resulting from recent changes in extras will likely force steel consumers to adjust upward their prices on finished goods. The exact amount of the steel increase arising from the revision in extras cannot be determined, but some idea of the effect of these changes on steel costs is shown by the rise in the Bureau of Labor Statistics' finished steel price index which now stands at 136 compared with 130 in April when the extra adjustments were inaugurated, it points out.

Once the current wage and price questions are out of the way the steelmakers are expected to move toward achieving a stable market in the various products. Generally, they are inclined toward a firm and realistic position on future pricing, with production costs and competitive factors in mind at all times, notes this trade journal.

With steelmaking operations booming along at capacity pace, raw material supply is comfortable, assuring support for high-level production through the year, it further notes.

**The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 99.9% of capacity for the week beginning June 8, 1953, equivalent to 2,252,000 tons of ingots and steel for castings as against 99.6%, or 2,246,000 tons a week ago. For the like week a month ago the rate was 100.3% and production 2,262,000 tons. A year ago when the capacity was smaller actual output was placed at 254,000 tons, or 12.2% of capacity, due to general steel strikes.**

### Electric Output Turns Higher in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended June 6, 1953, was estimated at 8,096,330,000 kwh., according to the Edison Electric Institute.

The current total was 140,186,000 kwh. above that of the preceding week when actual output totaled 7,956,144,000 kwh. It was 1,091,264,000 kwh., or an estimated 15.6% above the total output for the week ended June 7, 1952, and 1,362,668,000 kwh. in excess of the output reported for the corresponding period two years ago.

### Car Loadings Rise 2.2% Above Week Ago

Loadings of revenue freight for the week ended May 30, 1953, totaled 786,755 cars, according to the Association of American Railroads, representing an increase of 17,137 cars, or 2.2% above the preceding week.

The week's total represented an increase of 89,895 cars, or 12.9% above the corresponding week a year ago, and an increase of 42,100 cars, or 5.7% above the corresponding week in 1951.

### U. S. Auto Output Climbs 9% Above Week Ago

Passenger car production in the United States last week began to rise following the settlement of labor disputes at Ford and Chrysler, according to "Ward's Automotive Reports."

The industry turned out 110,387 cars compared with 101,466 cars (revised) in the previous week, an increase of 9%, and 92,956 cars in the like 1952 week.

Total output for the past week was made up of 110,387 cars and 14,877 trucks built in the United States, against 101,466 cars and 12,519 trucks in the previous week and 92,956 cars and 24,858 trucks in the comparable 1952 week.

Canadian factories built 8,033 cars and 2,860 trucks last week, Ward's said. In the preceding week they turned out 8,735 cars and 3,148 trucks and in the comparable 1952 week 7,334 cars and 3,689 trucks were assembled in the Dominion.

### Business Failures Soar in Latest Week

Commercial and industrial failures climbed to 217 in the week ended June 4 from 168 in the preceding week, Dun & Bradstreet, Inc. reports. At the highest level in any week since May 11, 1950, casualties were considerably above the totals of 120 and 172 in the comparable weeks of 1952 and 1951, respectively. Despite this increase, failures remained below the prewar level of 279 in the similar week of 1939.

Casualties involving liabilities of $5,000 or more rose sharply to 181 from 138 last week and were over twice as numerous as a year ago when 86 businesses failed in this size group. Little change appeared among small failures.

Failures increased in all industry and trade groups except wholesaling where they dipped mildly. In retail trade, casualties rose to 108 from 81, in manufacturing to 39 from 28, in construction to 26 from 15, and in commercial service to 21 from 19. More businesses failed than last year in all lines with the increase from the 1952 level particularly sharp in the trades and services.

### Wholesale Food Price Index Strikes 9-Month Peak

The wholesale food price index, compiled by Dun & Bradstreet, Inc., moved sharply higher last week. It rose to $6.56 on June 2, from $6.47 a week earlier. The current figure marks a new high for the year and the highest level since Sept. 9, 1952, when it stood at $6.60. Compared with the $6.43 of a year ago, the increase was 2.0%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

### Wholesale Commodity Price Index Shows Little Change For Week

Trends in commodities last week were irregular and uncertain with the general level of prices showing little change during the period. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., closed at 276.85 on June 2, compared with 277.35 a week previous, and with 294.90 on the corresponding date last year.

**Downward pressure in grains continued, particularly in the latter part of the week on persistent rumors of the possibility of an early truce in Korea.**

Wheat and rye registered the sharpest declines and touched new low prices for the season. The July wheat delivery at Chicago sold down to $2.00½ on Monday of last week, a drop of almost 50 cents a bushel from last year's high $2.48⅜, and the lowest point reached by any wheat contract since March, 1950. Lack of export demand and fears regarding storage facilities for the new crop were depressing factors in addition to Korean truce developments. Corn declined in sympathy with wheat with weakness prompted by the announcement by the CCC that it would sell low-grade corn to feeders. Oats showed comparative steadiness. Volume of trading in grain and soybean futures on the Chicago Board of Trade increased sharply last week. Daily average sales totaled 51,700,000 bushels, against 36,700,000 a week previous, and 32,300,000 a year ago.

Flour prices worked moderately lower the past week. The sharp declines in wheat discouraged traders and bakers and jobbers generally continued to confine their purchases of hard wheat bakery flours to small lots for immediate or nearby delivery. Cocoa developed a stronger undertone in response to somewhat broader manufacturer demand and a lack of sufficient offerings from producing areas. The market also received support from reports that the British Cocoa Marketing Board had completed selling of the main British West African crops. Stocks of cocoa in warehouses rose to 161,906 bags, from 153,772 a week ago, and compared with 101,050 last year.

Coffee and sugar were mostly steady. Lard was lower despite further advances in live hogs which touched highest levels since October, 1948, aided by higher wholesale pork prices and broad buyer demand. Strength in sheep prices reflected an active demand for native Spring lambs.

Cotton closed slightly lower. Trading was comparatively quiet and price movements narrow.

**Bearish sentiment was influenced by weakness in securities and grain markets as well as continued slow export demand and the possibility of an early truce in Korea.**

Reported sales in the ten spot markets totaled 39,900 bales, the smallest for any week this season, as compared with 58,600 the previous week, and 69,500 in the corresponding week a year ago. Loan repayments on 1952-crop cotton expanded sharply during the week ended May 22. The total at 28,300 bales, was the largest for any week reported during this season.

### Trade Volume Reflects Marked Gains Despite Holiday Week

Although shoppers were as active as during the prior week, the loss of one shopping day reduced the total dollar volume of retail trade slightly in the period ended on Wednesday of last week. However, the year-to-year gain in retail trade was quite marked in some sections since the holiday week-end was longer last year.

**Consumer debt remained close to the peak reached a few weeks ago and most retailers continued to stress easy credit terms.**

Hard goods continued to account for a larger share of each consumer dollar than at this time last year.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3 to 7% higher than the level of a year before. Regional estimates varied from the comparable levels of a year ago by the following percentages: New England +1 to —3; East +1 to +5; Midwest +2 to +6; South +4 to +8; Southwest and Pacific Coast +5 to +9 and the Northwest +3 to +7.

Apparel stores sold slightly less than in the prior week although shoppers' interest remained quite high. Denim sportswear, children's clothing, and casual shoes were among the most popular items the past week. Men's slacks and Summer suits were sold more rapidly than at this time last year.

**The total receipts of apparel stores continued to top the figures of a year ago.**

The consumer interest in household goods continued to surpass that of a year ago. In wide demand were small air-conditioners, refrigerators, hardware, and decorating materials. Lagging were outdoor furniture and picnic supplies.

While buyer activity quickened in some wholesale markets in the period ended on Wednesday of last week, the total dollar volume of wholesale trade did not vary markedly from the level of the prior week; it continued to be slightly higher than the year-ago level. The favorable consumer response in recent weeks encouraged many buyers to extend their commitments beyond their immediate needs.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended May 30, 1953, remained unchanged from the level of the preceding week. In the previous week an increase of 7% (revised) was reported from that of the similar week of 1952. For the four weeks ended May 30, 1953, an increase of 6% was reported. For the period Jan. 1 to May 30, 1953, department stores sales registered an increase of 5% above 1952.

**Retail trade in New York the past week was adversely affected by such factors as cooler weather, the Coronation, which tended to keep shoppers at home, and the current wave of peace talks. The result was an estimated drop in sales volume of about 5% under that of a year ago.**

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended May 30, 1953, registered a drop of 4% from the like period of last year. In the preceding week an increase of 7% was reported from that of the similar week of 1952, while for the four weeks ended May 30, 1953, an increase of 4% was reported. For the period Jan. 1 to May 30, 1953, volume registered no change from that of 1952.

## With Hemphill, Noyes

(Special to The Financial Chronicle)

BOSTON, Mass.—Peter J. Carris has become connected with Hemphill, Noyes & Co., 10 Post Office Square.









# Mutual Funds

By ROBERT R. RICH

**A SIMPLIFIED PROFIT-SHARING** plan has been established for employees of National Securities & Research Corporation, it was announced by Henry J. Simonson, Jr., President. The Corporation sponsors National Securities Series, a leading mutual fund.

The Employees' Fund, created from contributions by the Corporation of 10% of annual profits before Federal Taxes, is invested and reinvested in three National Securities Series funds—⅓ in Balanced Series, ⅓ in Income Series and ⅓ in Stock Series. Employees make no contributions. The plan requires no actuarial work, it does not involve life insurance and has no fixed obligation upon the Corporation. There is no Federal Income Tax on income of the retirement fund.

Mr. Simonson said that the plan has been sent to security dealers throughout the country, since the simplicity of such a plan should have great appeal for many corporations, particularly those with from 25 to 250 employees.

Distributed with the retirement plan is a unique 30-page booklet entitled, "Building the Profit-Sharing Retirement Plan." It shows all steps taken by National Securities & Research Corporation from the origination of the plan to its completion. Included are the minutes of all meetings dealing with the establishment of the plan, as well as copies of all correspondence with the Treasury Department, the Trustee bank and others. The various forms needed in the operations of the plan are reproduced.

Finally, there is a series of 48 questions which might be asked by employees concerning their participation in the plan along with answers to these questions.

**THE FEDERAL** Reserve Board on June 8 adopted an amendment to Regulation U, the regulation which prescribes margin requirements (currently 50%) on loans by banks for the purpose of purchasing or carrying stocks registered on a national securities exchange.

The amendment, according to the Board, makes it clear that the regulation applies to loans for the purpose of purchasing or carrying certain shares issued by open-end investment companies whose assets customarily include registered stocks. The shares affected give the purchaser a proportionate interest in the issuing company's assets, and carry the right to convert his interest into the company's underlying assets or their cash equivalent. Such shares are technically called "redeemable securities."

The action does not affect Regulation T, which, among other things, forbids securities brokers and dealers to lend on securities not registered on a national securities exchange. Therefore, "redeemable securities" of open-end investment companies cannot be given loan value by brokers or dealers unless they are registered on a national securities exchange, which rarely is the case.

And, of course, this action does not affect section 11(d)(1) of the Securities Exchange Act of 1934 which prohibits a broker-dealer from extending credit, or arranging for the extension of credit, on any security which was part of a new issue in the distribution of which he participated within the preceding six months.

**HAROLD X. SCHREDER,** Executive Vice-President of Group Securities, in a current study, compares the stock market outlook with what it was 20 months ago when market averages were close to present levels.

"Then serious adjustments were only beginning in the three basic price areas of our economy — commodity prices, in bond prices and stock prices," Mr. Schreder stated.

"Now in 1953 severe corrections in these basic areas have taken place. While the declines are apparent in the commodity and bond prices, a substantial correction has also occurred in stock prices. This is evidenced by the fact that during the period of no apparent change in the averages, 501 stocks have declined to a point equivalent to a level of 232 in the Dow Jones Industrials. The economy and the stock market look better to us after these basic adjustments have materialized than when we saw them impending in 1951.

"In the professional investor's mind, danger is associated with impending trouble; opportunity is associated with existing trouble. The 1953-54 period very likely will continue to be a period in which extreme investment care and skill will be rewarded."

**"CAN YOU AFFORD** A Ripe Old Age?" is the question asked by Hugh W. Long & Co., mutual fund sponsors and managers located in Elizabeth, N. J., in a bulletin dealing with the universally interesting subject of life expectancy. "If you live to age 65," the bulletin points out, "you're likely to need capital for a minimum of 12.4 years of living thereafter" — a minimum of 14.6 years for women.

The bulletin—the second in a series titled "The Long View"—points out that if your living standards after age 65 require the expenditure of $5,000 per year, that means you'll need to spend about $60,000 for living costs during the average life span after age 65.

"If these figures cause you to stop and think about your financial plans for the future,"—the bulletin continues — "they will have served their purpose. For the unhappy fact is that the majority of people now over 65 have to continue working or find themselves dependent in whole or in part upon relatives or charity for the financial needs of their daily living."

The study states that time itself can help the prudent person plan for retirement; that as an example, $1,000 earning 3% compounded semi-annually becomes $2,443 after 30 years. It also contains a "balance sheet" of each person's assets and liabilities in planning for retirement, as well as life expectancy figures for men and women between the ages of 20 and 75. The first issue of "The Long View" treated with Social Security, and how much it is worth in dollars to people retiring after age 65.

**FOR A NUMBER** of years Century Shares Trust has paid quarterly dividends from investment income at the rate of 10 cents per share and has distributed any balance of earnings in excess of the sum of these quarterly payments in a special year-end dividend.

Owing to a currently higher annual rate of earnings, and in order to distribute earnings somewhat more evenly throughout the year, the rate of the regular quarterly dividend has been increased to 11 cents a share beginning with the dividend declared payable June 26 to shareholders of record June 16.

This payment is derived from net income from dividends and interest on securities owned, exclusive of capital gains or losses. As in the past any balance of net earnings in excess of the sum of the regular quarterly payments will be distributed in the final month of the year.

**BECAUSE THE LINK** between the laboratory and investment opportunity grows closer every day, says Hugh W. Long and Company, investors need a new slant on what to look for in "financial news." The long-term investor is likely to profit more from developments in research, new products and new methods than from following the latest move in a market index.

In a bulletin entitled "Science Shapes our Future" just released to investment dealers, the Long organization, sponsor and manager of Diversified Growth Stock Fund, reviews some of the new developments in the electronics, chemical and drug industries which represent about two-thirds of the Fund's investments.

One of these developments is the tiny transistor, which will replace the electronic vacuum tube in many uses.

Another is the wafer-thin "plated circuit," which is beginning to supplant individually soldered electric wire connections in radio and TV sets.

Comments of civilian and military experts, reviewed in the bulletin, indicate that plastics—the "cheap substitutes" of yesterday — could become one of our giant industries with expanded mass use in cars, vessels, planes. Pointing to the fact that "bugs" causing infectious disease develop resistance to older antibiotics, the bulletin notes the continuing need for the drug industry to meet the demand for newer weapons against disease.

"The ordinary consumer," says the Long organization, "may take our modern miracles for granted. The alert investor looks for the profit opportunities in them. If he is prudent he will spread his investments and be guided by technical as well as investment know-how before he risks his dollars."

**CALVIN BULLOCK'S** June Bulletin described the Canadian Fund's U. S. investments, dictated by its policy of investing in companies, wherever organized, which stand to benefit by the development of Canada.

It cites the fact that American oil companies operating in Canada control more than half the estimated oil reserves, in a discussion of American oil companies in the Fund's portfolio.

Other American companies with important holdings in Canada and owned by the Fund are Goodyear, which owns 80% of its Canadian namesake; International Paper, largest newsprint producer in Canada; Kennecott Copper, which owns a ⅔ interest in Quebec Iron and Titanium Corp., with the largest known iron-titanium deposit; Marathon Corp., whose Canadian operations consist of a high-grade pulp mill, a chemical plant, and a timber tract of 3.1 million acre; Montana Power Co., which has purchased the Pakowki Lake gas reserves in Alberta for $10 million. Exploratory work has increased reserves to a total of 400 billion cu. ft.

"Experience developed over the years," the Bulletin comments, "reemphasizes the logic of including in any well-rounded investment program in Canada some U. S. companies having substantial interest in that country."

**RECORD SALES** of Wellington Fund shares in the first five months of 1953 were reported by A. J. Wilkins, Vice-President.

Sales for this period, he said, amounted to $24,627,000 largest for any such period in the Fund's 24-year history. They represent an increase of 17% over the sales of $21,069,000 in the like five months of 1952.

The mutual fund executive reported that the Fund this year has been adding shareholders at the record rate of close to 2,000 a month.

**INVESTORS MUTUAL,** Inc., now has more than 150,000 shareholders, the largest number of any mutual fund in the country, it was announced Tuesday by Investors Diversified Services, Inc., national distributors and investment managers of the fund.

The 150,000 shareholder mark was passed by Investors Mutual during the month of May, making it the first mutual fund in the nation ever to achieve such a broad base of ownership according to I. D. S. Assets of the fund, in which these shareholders hold proportionate interests, currently exceed $450,000,000.

**NET ASSETS** of Commonwealth Investment Company totaled $62,223,591 at the close of business on May 31, 1953. This represents an increase of $12,118,735 over a year ago, when the total net assets were $50,104,856. The company has over 38,000 shareholders at this time. Commonwealth's portfolio is made up of over 300 individual securities with 66.2% in common stocks and 21.4% in preferred stocks. 7.5% is invested in corporate bonds and 4.9% is held in cash and U. S. Government bonds.

On May 31, 1953, the largest industry holdings were as follows: public utilities—electric 15.0%; oil 12.2%; chemicals and drugs 6.3%; merchandising 5%; and foods 4.9%.

With the payment of the 82nd consecutive quarterly distribution on June 30, 1953, the company will have paid twelve cents per share from investment income and three cents per share from realized capital gains to its shareholders to date in 1953.

**THE GHOST OF** Elmer Tuttle is the leading character in the new cartoon booklet, "The Best Laid Plans," published by Broad Street Sales Corporation, national distributor of the shares of Broad Street Investing Corporation, a mutual fund stressing satisfactory income.

In easily readable and entertaining style Elmer's ghost tells the story of his widow's trials and tribulations with a fixed estate—and how different things might have been with a flexible investment program which included Broad Street Investing shares.

The latest booklet will rival its predecessor, "Are We Talking Your Language?" which told in non-technical terms the National Investors Corporation growth stock policy. Broad Street Sales feels that its newest booklet will be another "best-seller" in the mutual fund field.

**AS A FEATURE** of the "Women's Finance Forum" — a series of meetings held in St. Louis on four successive Wednesdays, Harry L. Sebel, Mid-Western Vice-President of Hugh W. Long & Co., addressed the seminar on Wednesday, June 3 on the subject of "The Women Investor Today."

Mr. Sebel is a graduate of the School of Commerce of Northwestern University where he majored in banking and investments. The forum meetings are very popular and drawing large audiences.

**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.

### PERSONAL PROGRESS

PHILIP C. SMITH has joined National Securities & Research Corporation as Manager of its newly created Profit-Sharing Retirement Plan Department, it was announced by Henry J. Simonson, Jr., President.

Mr. Smith, a graduate of Fordham University Law School, has been associated with the New York law firm of Satterlee, Warfield & Stephens for the past five years. He will make his headquarters at the Home Office, 120 Broadway, New York.







Continued from page 12

# What the Security Analyst Wants to Know

lem which condition your thinking.

We further want to know what your philosophy is about regulation. Some analysts are groping for the answers to what is right themselves, and your beliefs and reasons therefor may help them in their thinking. But more important, your beliefs are a factor in the earnings prospects for your stock. Do you believe in a fair value rate base, with an element for current construction costs, or are you afraid of the repercussions of this approach in the event of a major reversal of prices? Do you believe enough in fair value to fight for it before the Commission and the courts, if necessary? What about so-called economic depreciation? Do you believe that the income account should be charged with the present value of the property consumed each year? If so, how much of a fight will you make for it? If not, what is wrong with the theory? How about fair rate of return? If you disagree with the so-called "cost of capital" approach, what is the substitute method which you recommend as right?

The value of your stock will be affected not only by your thinking and action in the regulatory field but probably even more by the policies of your regulatory commission and its staff. You cannot read their minds for us, but you can help us in our efforts to do so by keeping us informed of commission opinions and orders in other cases which might reflect their attitude when your case comes before them, and in telling us of changes in the personnel of the commission, and the background of new members.

The final word generally is said by the courts, and we want to keep informed of their decisions which would affect you, immediately or in the long run. I say their word generally is final, because sometimes the legislature may get in the last word after the court has spoken. If there are any legislative measures introduced which would affect the future earnings or quality of your stock, we certainly want to know of their introduction and ultimate fate.

Even with knowledge of the attitude of management, commission, court and legislature, we are still faced with the problem of selecting the most desirable investment. I know some analysts who are convinced that the best stocks are those in states where fair value is not only the law but the practice, feeling that assurance of a fair return on fair value provides the best protection for an investment. I know others who say that such may be the case, but they believe that when the latter results in a relatively high return on book value, they believe that the risk nevertheless is increased, and they prefer an investment in a company which is earning a subnormal return, since there is more room for earnings growth. Who is right? In which stock would you put your money, and why? Can you help us to find the answer to this basic regulatory question?

### Operating Factors

The next major weak spot in our analytical knowledge I have called The Significance of Operating Factors. Here again I plan to pose a flock of questions. Let's start with the physical condition of the properties. I don't believe that any of us want to recommend the securities of a company whose properties are really run-down or obsolete, but is there another extreme, where the properties are gold-plated at the expense of the investors? If so, how do we recognize the fact? When is the point reached when additional expenditures become too much of a luxury? We can pretend some semblance of a judgment in a physical inspection of your system as to whether you are a good housekeeper, whether or not poles are leaning, wires sagging, branches untrimmed, but perhaps your economies here are justified in your particular situation, or perhaps your spic-and-span neighbor has gone to the other extreme. How can we tell whether your transmission and distribution network is under-built or over-built, whether the margin of safety is thin, and if so, whether this represents lax management or prudent economy?

You in the industry talk of a man as a "good operator." What is embraced in that term? How do you measure it? What does it mean to the stockholder?

This discussion leads me quite easily into my fifth and last topic, which is The Measurement of Ability of Management. There is certainly general acknowledgment that managerial ability is an important criterion in the value of a security and in its prospects. Even the Commissions and Courts occasionally have indicated that this should receive some consideration in the earnings allowed a company. Certainly this is the case in the form of a penalty for bad management, if not a reward for good.

### Managerial Ability

I believe that our analytical approach to the appraisal of managerial ability is usually extremely limited. Perhaps our first point of judgment is how good the management's program is for furnishing information to financial analysts.

If we are supplied with all the facts we want, if the President gives a good talk at the Analyst Society luncheon or a due diligence meeting, he is a good manager. I think our second point of judgment is personality. If the President bustles a lot, slaps the analyst on the back and calls him by his first name and talks a good game, we are inclined to give him a strong vote of confidence.

I am not trying to underrate the two qualities of financial relations and personality, because I think that a good utility President probably does need both. But on the other hand, couldn't the quiet type who perhaps is not as communicative with us as we would like still be doing a bang-up job for his stockholders? But more important, how should we measure management? Are there any quantitative measurements of managerial ability that can be made? How do you decide whether or not you or your subordinates are doing a good job? Should we study customers' accounting and collecting expense per customer, or other such rates? Or is it something broader, like the percentage of gross revenue carried through to common? I have doubts as to the latter as a test of management, since there often appears to be an inherent physical characteristic of the business which causes differences among companies, or certainly causes the wide differences. Or is it an increasing percentage of gross to common over a period? Maybe the best test is simply the rate of return being realized on the capital invested in the enterprise, or how well the management is doing with the funds entrusted to it. But we all know of cases where this result is in spite of rather than because of good management. Perhaps we should make tests of rates of development of new business, or rates of control of expenses? I am tempted to suggest that the results of a company be charted against the industry performance except for the fact that you gentlemen have furnished us with so many of those charts over the years and I am still waiting to see one where the company in question did worse than the industry. The parts always seem to exceed the sum.

Some evidence of managerial achievement is apparent in the prize awards of the industry such as the Coffin Medal, but I am sure that there are more well-managed utilities than the few who can be so recognized each year, so that is not an all-inclusive test.

Another field for crediting management is in demonstrated initiative and resourcefulness, such as the conception and execution of the Joppa project, leadership in atomic research, high-temperature boilers, high-voltage transmission lines, outdoor plant construction, and other engineering innovations. Accounting initiative may appear in introducing bi-monthly or postcard billing, financial leadership such as in introducing the over-subscription privilege, etc. Certainly there are tangible evidences of good management.

Good management should be apparent in the esteem in which the company is felt in its community by public and political leaders. This was one of the outstanding impressions I gained in a week's trip over the properties of a large southeastern system last Fall. It also may be revealed by the nature and force of opposition, if any, to a rate increase application.

Perhaps some tests can be made of the investors' acceptance of your securities. If you raise your capital and your securities sell on a better basis than those of similar utilities, is not this a recognition of good management? But this begs the question, because my premise is that the investor and his representatives are not adequately equipped to judge managerial ability. I have indicated some possible approaches but I am sure that you can be helpful in guiding us to better management appraisal techniques.

# Halsey, Stuart Group Offer Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (June 11) $3,000,000 of Chesapeake & Ohio Railway third equipment trust of 1953 3⅝% serial equipment trust certificates, maturing semi-annually Jan. 1, 1954 to 1968, inclusive. The certificates are priced to yield from 2.90% to 3.75%, according to maturity.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost $3,842,680: 226 50-ton high side gondola cars and 400 70-ton low side gondola cars. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

Other members of the offering group are: R. W. Pressprich & Co.; Wm. E. Pollock & Co., Inc.; Freeman & Co.; and Gregory & Son, Inc.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The election of William C. Stolk, President of American Can Company, as a Director of The First National Bank of the City of New York at a directors' meeting this week was announced by Alexander C. Nagle, President of the bank. He succeeds Frederick A. O. Schwarz who resigned from the board earlier this year at the time of his appointment as General Counsel to the United States High Commissioner for Germany.

William C. Stolk

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**Chemical Bank & Trust Company of New York** has elected Hubert E. Rogers to the Advisory Board of its 100 Park Avenue Office, it was announced on June 10 by N. Baxter Jackson, Chairman. Mr. Rogers is a member of the law firm of Rogers & Condon; Vice-President, Secretary and Director of Metal & Thermit Corp.; Secretary and Director of Tin & Chemical Corp., and Director of Cerium Metals Corp., Chromium Corporation of America, Goldschmidt Chemical Corp., New York Hanseatic Corporation, etc.

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The appointment of Charles W. Buek and Joseph Pickard as Vice-Presidents was announced on June 4 by Benjamin Strong, President of **United States Trust Company of New York,** which is celebrating its 100th Anniversary. Mr. Buek joined the company after graduating from Yale 20 years ago, and has been an Assistant Vice-President since 1951. Mr. Pickard, an alumnus of New York University, became associated with the company in 1941 and has been an Assistant Vice-President for the past four years. He is a Director of Federal Machine & Welder Co.

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At the regular meeting of the Board of Directors of **The National City Bank of New York** held on June 9, William F. Cordner, formerly an Assistant Cashier, was appointed an Assistant Vice-President. Mr. Cordner is assigned to the Metropolitan Group of Domestic Division at the bank's Head Office.

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G. Sealy Newell has been elected a Vice-President of **The Hanover Bank of New York** by the Board of Trustees. Mr. Newell, who joined The Hanover in 1932, is with the Plaza office. A graduate of Yale University in 1932, he was a Lieutenant Colonel in World War II, commanding the 745th Anti-Aircraft Artillery Battalion in the Phillippines.

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The election of Henry C. Brunie to the Board of Trustees of **The Bronx Savings Bank of New York** was announced on June 8 by T. Arthur Nosworthy, President of the bank. Mr. Brunie is President of the Empire Trust Company and is a Director of numerous corporations including the Home Insurance Company, Homestake Mining Co., Francis H. Leggett & Co., General Reinsurance Corp., North Star Reinsurance Corp., etc.

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Appointment of Charles F. MacLellan as an Assistant Vice-President in the Out-of-Town Business Department, Western Division, of the **Manufacturers Trust Company of New York** was announced by Horace C. Flanigan, President, on June 8. Mr. MacLellan joined the trust company in 1940 after graduating from the University of Chicago. He was appointed an Assistant Secretary in 1948. Mr. MacLellan recently completed a second tour of army duty from January 1951, until April 1952. He held the rank of First Lieutenant in the Army Finance Corps.

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President Adam Schneider, Jr. has announced the election of Harry C. Wildner to the Board of Trustees of the **Roosevelt Savings Bank of Brooklyn, N. Y.** Mr. Wildner is a Vice-President of National Lead Co. He is also President of the Titanium Metals Corp. of America and Nickel Processing Corp., and a Director of Baker Castor Oil and Minnesota Linseed Oil Company.

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The election of Alan B. Gilmour as a Trustee of the **Flatbush Savings Bank of Brooklyn, N. Y.** was announced on May 29 by John S. Roberts, President of the bank.

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The **Peoples Trust Company of Wyomissing, Pa.,** a State member of the Federal Reserve System, and the **Sinking Spring Bank,** of **Sinking Spring, Pa.,** an insured non-member, merged on May 25 under the charter and title of the Peoples Trust Company, according to an announcement by the Board of Governors of the Reserve System. The former location of the Sinking Spring Bank is operated as a branch of the Peoples Trust Co.

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William T. Gordon, Vice-President of **The Bank of Virginia,** at **Richmond, Va.** will take charge of the bank's Fourth and Grace Streets office in Richmond on July 1. He succeeds Paul Wright, Jr., Vice-President, who is leaving to become Executive Vice-President of the **Durham Bank & Trust Company, of Durham, N. C.** Mr. Gordon joined the bank on May 1, 1936, working in various departments. From 1942-45 he was on active duty with the U. S. Navy. Following the war, he returned to the bank, was elected an Assistant Cashier in 1945, an Assistant Vice-President in December, 1949, and a Vice-President on June 9, 1952. Four new officers of **The Bank of Virginia** were elected by the bank's board of directors at the June 5 meeting held in Richmond. They are: Louis M. Clark, Assistant Cashier, West Broad Street office, Richmond; William Stanley Hayden, Assistant Cashier, Norfolk; Howard Weeden Brown, Jr., Auditor, Roanoke office, and L. V. Harrold, Auditor, Richmond offices.

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At a special meeting on June 4 the stockholders of the **Southeast State Bank of Kansas City, Mo.** approved plans to increase the capital of the bank from $200,000 to $300,000. The additional 1,000 shares are offered to the stockholders at $250 per share, enabling the addition of $150,000 to surplus.

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Through the sale of $300,000 of new stock, the **Union National Bank of Charlotte, N. C.,** has increased its capital from $700,000 to $1,000,000. The enlarged capital became effective May 29.

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Oscar Wells, a former President of the American Bankers Association died at his home in Birmingham, Ala. on May 30. Mr. Wells who was 77 years of age, had retired recently as Chairman of the Board of the **First National Bank of Birmingham.** Associated Press advices from Birmingham, reporting his death, said:

"A native of Platte County, Mo., he was known in financial circles throughout the country. He was a former Governor and Director of the **Federal Reserve Bank of Dallas, Tex.,** and was a Director of the Louisville & Nashville RR., U. S. Fidelity & Guaranty Co., Baltimore, Md., Woodward Iron Co., Birmingham & Alabama Power Co. He was President of the American Bankers Association in 1925 and a former Director and Treasurer of the United States Chamber of Commerce."

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A consolidation was effected as of May 29 of the **South Texas National Bank of Houston, Texas** (common stock of $3,000,000) and the **Union National Bank of Houston** (common stock $1,000,000), under the charter of the South Texas National Bank and under the title of the **Texas National Bank of Houston.** The consolidated bank will have a capital stock of $5,000,000, in 250,000 shares of common stock (par $20 each); surplus of $5,000,000 and undivided profits of not less than $1,000,000.

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An addition of $250,000, by the sale of new stock to that amount, has been made to the capital of the **First National Bank of Odessa, Texas,** thereby raising the capital as of June 5 from $500,000 to $750,000.

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Sale of new stock to the amount of $100,000 has increased the capital of the **Great Falls National Bank of Great Falls, Mont.** from $400,000 to $500,000, the enlarged amount having become effective June 5.

*Continued from page 7*

# Outlook for Money Rates And Fixed Income Securities

much wider circle of individual buyers, and despite the active buying of fire and casualty insurance companies and a few other investors, prices have been stable for only short periods of time between renewals of the downward slide.

On a comparative basis, tax exempt yields appear quite enticing, yet it is difficult to become confident that the market has really been sold out to the point of forming a stable base. The principal buyers needed at a time like this are the commercial banks, which are usually a major factor in the market. These institutions could make good use of tax exempt income but they are scared by the behavior of the market and, in addition, their liquidity problems under present conditions leave them little to invest in this field. Until the passage of time thaws out their bond accounts and there is some run-off in loans, we can hardly expect that the banks will be of much help in stabilizing the municipal market.

While here also the outlook is not too encouraging because of the large supply of bonds in prospect, we should avoid becoming such confirmed bears that we ignore the very substantial adjustment which has taken place. We should also remember that the outlook could change rather drastically if the business picture deteriorates in the months ahead.

**Corporates Look Attractive**

The rapid rise in corporate bond yields has produced a generous differential from the rate on governments. The spread has widened since the first of the year as a reflection of the record volume in the new issue market. It appears that, for the time being at least, we may be entitled to expect more orderly markets. It is pertinent to observe that long-term borrowing by industrial corporations has not been important currently. The high volume of public utility financing, together with the insatiable appetite of the finance companies, have been primarily responsible for the bulge in new offerings.

About a year ago corporations stopped losing liquidity and their capital expenditures programs began to level off. Internal sources of funds continue to remain high as a reflection of good profits and increased depreciation accruals. If it is reasonable to expect that plant and equipment outlays will decline modestly and inventories will stop rising, it is easy to visualize a situation in which there will be a substantially reduced volume of corporate borrowing. In that event, there could readily be a narrower spread from government bond yields. This would mean that the present market level is partially protected against a general rise in rates.

On balance, I believe that the long-term investor is entitled to take a moderately constructive view of the corporate bond market. However, we should not ignore the possibilities of some further weakness as a result of aggressive competition by the Treasury for non-bank money. Furthermore, we should not expect the supply of corporate bonds to decline abruptly because there is undoubtedly a substantial volume of bank debt which could and would be refunded into long-term bonds if market conditions were at all favorable.

In summary then, it seems fair to conclude that good quality corporate bonds are in a buying area, even though we cannot positively identify the present market as one of those elusive buy points which come along once in a decade.

**Preferreds Are in a Buying Range**

As usual, we can expect preferred stocks to follow the trend of the corporate bond market with special variations for supply and tax factors. Industrial preferred stocks of prime quality have given a good account of themselves during the past two years because they have been in strong hands and there have been only nominal additions to the supply through the new issue market. With the exception of convertible issues, there have been hardly any important industrial preferred stocks sold since the readjustment in rates began in March, 1951. As a consequence, the spread in yields for industrial stocks over bonds of comparable quality is narrower than it has been for some time. Industrial issues do not look outstandingly attractive except on the assumption that lower yields will prevail in due course. Although it is difficult to determine when the turn will come, some buying at present concessions from the yields of the past year or more appears justified in view of the difficulty of buying in quantity in the absence of an active new issue market.

In the case of public utility preferred stocks, the new issue market continues active and, in my opinion, offers very attractive investment opportunities. The spread over good quality public utility bonds appears adequate, and the volume of new issues assures good concessions from the distributed market. Yields are approaching the point at which some utility companies will prefer to sell common stocks, thus serving to curtail the supply if it should become unwieldy. It seems doubtful, therefore, that yields will rise materially further.

The attractiveness of preferred stock dividends to those who pay regular corporate income taxes is so great that it exerts a strong downward pull on yields. In the years ahead this tax factor may account for a further narrowing of the spread in yields over corporate bonds. Such a development would, of course, substantially reinforce the view that preferred stocks are in a buying range even though, as in the case of corporate bonds, we may not be able to identify the precise buying point.

**Fixed Income Securities Are Regaining Favor**

During the past 20 years, the cards were stacked against a fair deal for the investor in fixed income securities. Persistently declining interest rates, a rising cost of living, and the impact of highly progressive personal income taxes combined to whittle away at the real return of the bondholder. The investor in common stocks, on the other hand, benefited by the recovery from depression and the attainment of new peaks in business activity. The experience with equities was so good, in fact, that in many instances it provided a complete offset to the loss in the buying power of the dollar. The investor in high grade bonds only had his day from the fall of 1929 to the spring of 1933; but for most of the next 20 years, despite some uneasy periods such as 1938 and 1942, the equity investor enjoyed his innings.

Since the peak of the immediate postwar price rise in 1948, however, there has been considerable testimony in the economic record to the effect that inflationary forces have lost their strength. It is true that the outbreak of the Korean War set in motion a buying spree which raised prices temporarily, but for the last two years the correction has been quite complete and persistent. The basic reason is not difficult to discover. In brief, our productive capacity and scale of economic activity has caught up with the rise in the money supply which took place during the war years. It has long since been established that this country has no built-in inflationary bias, but, on the contrary, it takes a major interruption in civilian production such as a world war to create pressures powerful enough to cause a persistent price rise.

Moreover, there has been a change in the inflationary bias of our government which influenced its decisions on major questions of economic policy from 1933 through 1952. Even though it is probably true that the citizens of the United States will always vote for inflation rather than deflation, when it is necessary to make a choice, there is undoubtedly a different point of view on the subject in the present Administration. For the first time in many years, there is actually some genuine sentiment in favor of checking the persistent loss of purchasing power suffered by all those living on fixed incomes or holding claims to dollar assets. Measures taken in the field of monetary policy and efforts being made to control Federal expenditures indicate that the Administration is determined to avoid further inflation of the type we have seen in recent years.

In one other major respect, fixed income securities look much better than they have for many years: the changed yield relationships now prevailing. During the past two years we have seen a substantial closing of the gap between bond and stock yields, and this probably will go still further. Compared with the situation which existed from 1947 through 1949, for example, the incentive to buy equities has been substantially reduced. This does not imply that carefully selected equities are not reasonably valued nor does it suggest that many stocks are not still attractive for long-term investment. It does mean, however, that the investor can much more comfortably afford to take a sheltered position on the sidelines in fixed income securities.

Even though we ought not to abandon a constructive view of equities for the long pull, we cannot escape some feeling of relief at no longer being pushed and shoved into common stocks by the pressure for income. Relief from a perpetually easy money philosophy causes some painful transitional problems, but it puts us back in the business of doing a balanced investment job for our customers.

## Harold Smith Is A Grandpa Again

Harold B. Smith

Harold B. Smith, Pershing & Co., 120 Broadway, New York City, is a grandpa again. A daughter, Lorraine Pratt Smith was born June 5 to Irene and Harold B. Smith, Jr. Her sister, Deborah May (four in June) is almost as thrilled as grandpa.

### Joins Fairman Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Howard T. Snedicor has become affiliated with Fairman & Co., Inc., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Snedicor was previously with Davies & Co., Daniel Reeves & Co., and Dempsey-Tegeler & Co.



## *Our Reporter on Governments*

By JOHN T. CHIPPENDALE, JR.

The government market, helped by Federal Reserve purchases of Treasury bills, and reported acquisitions of the new 3¼s by government trust accounts as well as reports of scattered but not too sizable takings of the longest marketable bond by life insurance companies, dealers and other investors, was able to stage a sizable rally from the new lows that had been made just a short time before. "Open Mouth Operations" and short covering by dealers and traders, the professional element, should also be given a big assist in this operation.

The short-term issues also responded in a similar fashion to the rest of the market even though the powers that be had to make purchases of the nearest maturity to bring this about. According to advices, corporations with funds were buyers of Treasury bills as well as the tax anticipation bills. Tax switching by some of the commercial banks has added volume to a market which has been more active but nothing to get excited about yet from that standpoint. Uncertainty is still a very prominent factor in the government market despite the rally which has been witnessed.

### Are Long Bonds at Low Point?

The most important question in the money markets at this time is whether or not prices of long-term government bonds in the recent decline went low enough so that the levels which were reached in the sell-off will be maintained in the future? To be sure there is no immediate answer to this question because it will take time to find out if the sharp decline of about a week ago which carried most government issues down to new all time lows was of sufficient magnitude to satisfy the desires of the monetary authorities in what they have been attempting to accomplish. It is evident that the future trend of the government market will depend upon the policies of the powers that be, which will no doubt take into consideration the needs of the Treasury and the inflationary tendencies that may or may not be evident in the economy.

The Federal Reserve Banks have been buyers of Treasury bills which has tended to alleviate some of the tightness in a very restricted money market. This, along with reported small purchases of the long-term marketable obligations for government trust funds, helped to turn the market for these securities in the opposite direction. There was also some aid in this operation from the purchases by dealers and private investors (evidently life insurance companies). These latter acquisitions were not large, according to advices, and were more of a position rounding out nature to fill in some of the 3¼% holdings that were not completed at the time the new bond was offered publicly.

### Divergent Opinions Cited

If the pressure is to be continued on the money market as it has been in the past, and considering that the Treasury has a sizable deficit to finance, then the outlook, according to some money market followers, is for higher interest rates, both in the short and long-term sectors. This group is of the opinion that long-term interest rates will go to the 3½% level if not even higher before the Treasury is through with the financing of the deficit.

On the other hand, there are those who hold the opinion that the decline in the government market has about run its course and any recession that might come from here on in will not be of important proportions. It is being pointed out that the downtrend in prices of Treasury obligations has been sizable enough to prevent the selling of these issues in order to get funds that would be used to make loans that could increase the inflationary pressure. Also the opinion is expressed that price declines from the recent lows would not accomplish a great deal more than has already been done. The confidence and psychological factors have been badly shaken by the rapid and sharp decline in quotations of government obligations and it is believed further recessions in places of these securities would do more harm than any good which might be brought about in the way of limiting the creation of credit.

### Substantial Tax Switching

According to reports, there has been a fairly sizable amount of tax switching among the commercial banks especially those institutions that operate outside of the large money centers. These banks, according to advices, have been moving out of the securities in which they have losses and replacing them with issues that have the same coupon rate and comparable maturities. It is believed there will be an increase in this kind of operation as the year goes along.

### Appeal to Washington

It is indicated that the smaller deposit banks, which are among the largest owners of the outstanding marketable long-term obligations and the ones that have shown the largest price depreciation, have put their case before some of the important political figures in Washington in an effort to find out what is going to be done in the future to stem the decline in prices of these securities. According to reports, these institutions are concerned about a further hardening in interest rates because it would have a more adverse effect upon them than upon the larger banks which have the short maturities and have been helped by the loans they have made at advancing rates of interest. This is a situation that is getting considerable attention, according to advices.

### With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Joel W. Pope and Thomas B. Triplett have become associated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges. Mr. Pope was previously with Olson, Donnerberg & Co., Inc.

### Two With Standard Inv.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Richard H. Rue and Michael J. Flannery have become affiliated with Standard Investment Co. of California, 210 West Seventh Street. Mr. Rue was previously with Hill Richards & Co.; Mr. Flannery was with Holton, Hull & Co.

*Continued from page 11*

## The Price of Gold

dollars and sterling, and the post-war seriously inflated price level. What should have been done in 1925, was to recognize in the gold price the inflation that had taken place. What was wrong with the monetary situation at that time was not the so-called gold shortage but the gold valuation of the seriously inflated amounts of dollars and sterling. A change in the price of gold was the specific remedy to the situation, but the governments and experts did not see the light then.

* * *

To prove that the trouble ("then as now," says the National City Bank) lay not in any overall lack of monetary reserves, but in their maldistribution (due to disequilibrium in the underlying trade and capital investments), the National City Bank mentions that according to the Gold Delegation of the Financial Committee of the League of Nations the world's central gold reserves increased from about $9,150 million at the end of 1925, to about $11,350 million at the end of 1931. This increase represents an annual rate of 3⅔% per annum which was not lower than the generally accepted normal rate of growth of production and trade in the gold-using countries as a whole.

We consider this argument irrelevant first because pertinent figures would have been from 1914 to 1929 and not from 1925 to 1931, and second, the National City Bank should have compared the annual rate of gold production with the rate of growth *in value* of the social product.

This job was done by Per Jacobsson right in New York a few years ago. Per Jacobsson computed that in 1913 the relation between the amount of newly produced gold available for monetary purposes ($250 million) and the increase in the national income ($2,700 million) was as 1 to 11, while in 1929 this same relation was as 1 to 29 (gold $230 million; increase in national income $8,000 million). One of the causes of the change in the just mentioned relation was precisely the 45% higher price level in 1929 than in 1913 and at least 60% rise in the cost of living. From these figures it is plain that the current gold production measured in the 1913 price of gold in terms of dollars or sterling contributed less to sustaining prices in 1929 than in 1913.

(2) The National City Bank contends that the markup in the gold price would add to the monetary base and provide an enlarged potential for inflation.

It is a strange phenomenon that the same persons who express freely their worry about potential inflation due to a rise in the price of gold do not raise their voices against the continuous increase in the amount of government bonds purchased by the Federal Reserve Banks, which is inflation of the purest sort.

First of all, there exists no necessary or uniform relationship between the value of gold reserves and the amount of effective demand. Since 1940 we have inflated our money supply more than three times, despite the fact that we maintained the price of gold at $35 an ounce and without any substantial increase in our gold reserves. Second, if the profit of gold revaluation is allocated to amortize the debt of the government toward the Federal Reserve Banks, the potential inflationary consequences of the rise in the price of gold are completely neutralized.

The National City Bank stresses the psychological effects of a markup of gold and it states that "such action could be the torch to set off a new inflationary conflagration." There is nothing inevitable about inflation. We have inflation when the government and the banks decide we should have it. If there should be a psychological reaction on the part of the average person as a result of a markup of gold, the blame will have to be put on those who are teaching and propagandizing erroneous theories. The surest way to obtain a collapse of our currency and thereafter inflation is to return to the gold standard with gold at $35 an ounce.

Contrary to what many of my American compatriots believe, it is not the dollar which gives value to gold. The price of $35 an ounce is simply arbitrary and made possible for the time being by special circumstances arising from World War II. These circumstances enable the United States to continue to acquire gold at $35 an ounce and to maintain the price level by money and credit inflation while it prevents private individuals from buying gold. If this is not a monopoly I should like to know what to call it.

It remains to be seen whether the price of gold will be changed while we are still masters of the situation, or by a chaotic route. The time to change the price of gold is not after a depression has set in. Our aim must be to restore monetary order and to prevent a severe and prolonged depression. If, without further waste of time, we plan carefully the restoration of the international gold standard, a price of $70 an ounce would probably accomplish what we seek. If, on the other hand, we wait until we cease to be masters of the situation, the price of gold will be changed by a chaotic route, and it may reach indeed an abnormally high level.

Ladies and Gentlemen, I am struck by the lack of sense of urgency for positive action shown by all governments despite ominous symptoms in the international economic situation. It is our duty to shout from the top of our voices the dangers ahead if we do not act promptly, intelligently and with courage.

## Halsey, Stuart Group Offer Gulf Pow. Bds.

Offering of $7,000,000 Gulf Power Co. first mortgage bonds, 4⅛% series due June 1, 1983, at 101.295% and accrued interest, to yield 4.05%, is being made today (June 11) by Halsey, Stuart & Co. Inc. and associates. Award of the issues was won by the group at competitive sale on June 9 on its bid of 100.55%.

The bonds will be redeemable at regular redemption prices ranging from 104.30% to par, or if they are redeemed through the sinking fund or the maintenance fund, at special redemption prices ranging from 101.30% to par, plus accrued interest in each case.

Gulf Power Co. is engaged, within the northwestern sector of Florida, in the generation and distribution of electricity, and incident to its electric business, the sale of appliances. Territory served directly and indirectly by the company has an area of about 7,400 square miles and an estimated population of more than 280,000. At the close of 1952, the number of electric customers served directly was 62,120. Operating revenues of the company for the 12 months ended Feb. 28, 1953, aggregated $7,993,000; gross income was $1,928,000 and net income was $1,833,000.

*Continued from page 7*

# Building Up Utilities Profits

corrected through an active sales program.

### Salesmen Have Become Lax

During the past 12 years, salesmen and sales managers have tended to become lax in their methods. Much attention is now being given to this matter and within a relatively short time a hard hitting team will be back in the field.

There is another phase of this problem which deserves serious consideration. During the period following the start of World War II some sales budgets were cut. Others increased but did not increase as fast as the growth of revenue so that there has been a general decline in the sales expense per dollar of gross revenue.

Every effort should be put forth to increase sales efficiency by a study of methods used effectively in other industries. Methods which were effective prior to World War II may be found far too costly under present conditions. In many cases mass selling in one form or another will produce more revenue per dollar of sales expense.

The opportunities which lie before us in this great industry are so tremendous that we will not make the most of them if we allow sales expense, expressed in terms of gross revenue, to remain at the present low figure.

The competition from other industries in the field of cooking, water heating and clothes drying is keener than at any other time in our history. Even more important is the other competition for the customer's dollar. Other industries have learned the value of advertising and find that mass production makes it possible for them to spend a larger and larger proportion of their revenue in sales effort and at the same time reduce the real cost of the product to the consumer.

### First Phase in Building a Profitable Load

This, then, is the first phase of Building Profitable Load.

I suggest that each one of you go home, take out your financial report for 1952. You probably will find a substantial increase in gross revenue but a relatively small increase in net earnings. To determine the effect of increased sales, deduct from the figures the revenue from increased sales and the expenses which would not have been incurred if these sales had not been made.

In the analysis of your sales expense you will find that much of what has been charged to sales could not be eliminated even if no sales activity were carried on. The proportion of such expenditures will vary with each company.

You will then be able to determine what the earnings would have been if there had been no increased sales and no sales expense. You will find that there would have been a substantial decline in net earnings.

With this information it is a simple matter to study the effect of an increase of 25 or 50% in the increased sales. It will give you a better guide as to the amount that you can profitably afford to put into your sales budget.

One peculiar aspect of our business is that in order for us to have a market for our product, electric service, we or some of our allies in the industry must sell some appliance or equipment which uses electrical energy for its operation.

Regardless of whether a company engages in the merchandising of appliances or not, the major function of its sales effort is to create a demand for an appliance.

The first cost of many electrical appliances is high and since there is a definite limit as to the investment which our customers can make in electrical appliances each year, it is incumbent upon the sales manager of a utility to make a study of the retail cost of various appliances and the electric revenue which will result from the use of the appliance. In making this study consideration must be given to percentage of sales that will replace older models of the same appliance.

By way of illustration I would like to submit figures on a few appliances:

| Appliance— | % New Load | Annual Kwhrs. | Retail Price | Add'l Ann'l Revenue | Cost: Revenue |
|---|---|---|---|---|---|
| Range | 90 | 1100 | $316.00 | $19.80 | 16.0 |
| Water Heater | 100 | 3600 | 150.00 | 36.00 | 4.2 |
| Ironer | 100 | 155 | 204.00 | 3.10 | 66.0 |
| Automatic Washer | 100 | 50* | 285.00 | 1.00 | 285.0 |
| Conventional Washer | 20 | 25 | 153.00 | 0.10 | 1530.0 |
| Electric Blanket | 100 | 130 | 41.00 | 2.60 | 15.7 |

* In addition to conventional washer replaced.

The above values are approximate only and electric revenues has been calculated at 2¢ per kilowatthour for all appliances except water heaters which have been calculated at 1¢ per kilowatthour. The calculations made on the above basis will vary widely dependent upon many local variables.

A similar study on lighting produces very interesting results. If we can induce a commercial customer to replace at 100 watt bulb with a 300 watt bulb, the customer's increased investment is $0.66 whereas the gross revenue to the utility based upon 2500 hours per year and 2¢ per kilowatthour is $10.

An analysis of this type will enable you to give more intelligent direction to your sales effort. In many companies we are neglecting lighting, our original market, for some of the newer and more glamorous applications.

With a limited budget, you can direct greater emphasis to the promotion of those appliances which have a higher ratio of revenue to original cost. This information is also useful in discussions with manufacturers, distributors and dealers to get their assistance in broadening the market for those appliances which have a low ratio of revenue to first cost.

I firmly believe that if the electrical industry is to approach its full potential in the next few years, manufacturers, distributors and dealers must do more at the local level to increase public acceptance of the new appliances. An adequate job cannot be done within the sales budget of the operating utility.

### The Second Phase of Building Profits

This study and the action which results from it constitutes the second phase of Building Profitable Load.

We have considered the trend toward higher investment and fixed costs and toward relatively lower variable costs in the production of electrical energy. This trend causes load factor and its improvement to become one of the major responsibilities of a sales manager.

I have followed the practice, for many years, of having the draftsmen, in their spare time, cut out cardboard profiles of the daily load curves. These daily load profiles are then assembled in such a manner as to produce what might be termed a three dimensional load curve. These models are kept where they are readily accessible and are consulted very frequently in planning a sales program or in appraising the results of past sales programs.

In the improvement of load factor we have two types of load factor to consider. There is the load factor of the particular feeder which influences the investment in distribution facilities and the load factor of the system which influences the cost of generating facilities. Any load building program which tends to improve either load factor will have a beneficial effect on net earnings and any new load which tends to improve both load factors will be most profitable.

If all utility systems had the same type of load curve the solution would be relatively simple. A committee of EEI could study the problem and recommend a program of load promotion that would improve the load factor of each member company.

A few of the factors which influence the shape of the load curve are:

(1) Proportion and type of industrial load.
(2) Rural and metropolitan characteristics.
(3) Variation between seasons of the year.
(4) Relation of time in use in area as compared to sun time.
(5) Relative saturation of various types of appliances.
(6) Special inducement rates favoring some time of day or season of the year.

The shape of the daily load curve varies throughout the year but the shape of this curve at time of the annual peak is most important. The annual load curve taken at time of peak is important but a study of annual load for various hours of the day will be helpful.

One way of improving load factor is to design a rate which encourages additional load at some period of the day or some season of the year. This method should be approached with caution because the load curve is constantly changing.

A number of years ago our own company found that there was a definite summer valley in the load curve. At the same time there was a hesitancy among the owners of large stores to install air conditioning equipment because of the high operating cost.

A special summer off-peak rate was effective in building summer load but the growth in refrigerator saturation and general acceptance of air conditioning have increased the summer peak to a point just below the winter peak. Some modifications have been made in this rate but it has not been possible to correct the situation in its entirety because of large increases many customers would incur.

Concessions to build night load appear to be reasonably safe but seasonal concessions are always dangerous. The report which EEI has issued on resistance house heating stresses this point and urges the member companies to adopt rates which will be compensatory under all conditions.

The sales manager has the opportunity and therefore the responsibility to influence the load factor by a study of the daily and seasonal load curves of his own company with respect to both system and typical distribution feeder.

An examination of these load curves will indicate those periods of the day or year in which load can be added without increasing distribution system peak or system peak or without increasing either.

Some of the conclusions which may be drawn from such a study are relatively obvious. For example, the company serving an industrial area with a morning peak will find that residential lighting is an off-peak load insofar as system is concerned. In such cases, the promotion of home lighting should take on a new importance because profitable lighting load can be added without increasing the peak.

The advent of fluorescent lighting provided a great opportunity for utilities, the importance of which has not been fully recognized in all circles. Older types of lighting provided a relatively low intensity. As a result the customer turned the lights on only when daylight failed either because of nightfall or because of a storm. As a result we had the lighting demand but sold relatively few kilowatthours.

If fluorescent lighting is used to replace incandescent equipment on a fixture per fixture basis or even to produce only double the intensity, the use of lighting remains unchanged. However, when fluorescent lighting is installed to provide an intensity of 60 foot candles or more, the lighting is in use whenever the space is occupied.

Thus commercial, industrial, kitchen and laundry lighting should not be evaluated upon the basis of connected load but rather upon the sale of additional kilowatthours, improved load factor and customer satisfaction.

A few appliances such as clocks operate at inherently high load factor. Other appliances such as electric bed coverings or attic fans by their very nature operate off-peak and will improve the load factor of any system. Other appliances have their own load characteristics and vary widely one from another.

The sales manager who is equipped with a knowledge of the shape of the load curve of various appliances and has made a study of his company's daily and annual load curve can determine in advance the effect of any individual appliance on the load factor of a distribution feeder and of the system. He can also determine in advance the increment investment in distribution and generating capacity that will be required to serve that appliance. With this information at his disposal it is a simple matter to determine the net revenue from the appliance and the return on the increment investment.

Relatively little information has been available on the load characteristics of various appliances and for the purposes of this presentation the information which has been collected over the years is included in an appendix to this paper, which is now available in print. At this point I would like to express my sincere appreciation to those who have cooperated to make this information available.

This appendix has been entitled "Sales Manager's Rough Guide to Residential Load Characteristics." The word "Rough" has been included because it is not intended that the information contained in the appendix is complete nor that future research on the subject may not alter the data presented to some extent.

The guide does not cover all appliances and the information on some of the newer appliances is somewhat less reliable than that on others because a fewer number of studies were available from which to draw a conclusion.

After selecting this subject for presentation at this meeting, I was most interest in the announcement which Mr. Clarence H. Linder made at the Annual Sales Conference of the Edison Electric Institute in Chicago this Spring. This announcement concerned the proposal of the General Electric Company with respect to a comprehensive study of the load characteristics of various appliances.

Until such time as a complete study is available, the data contained in the appendix should be of substantial assistance to those sales managers who wish to adopt this suggested technique.

If there is any question in the minds of any of you as to the wisdom of a controlled approach to this matter of load building, I would like to recount the history of a major electric system.

In the five-year period from 1942 to 1947 this system showed an increase of from 1543 to 2319 kilowatthours per year per residential customer, an increase of 776 kilowatthours over the five-year period, or an average of 155 kilowatthours per year.

In the five years from 1947 to 1952 the kilowatthours per residential customer increased from 2319 to 4106, an increase of 1787, or an average of 357 kilowatthours. This is an accomplishment so outstanding that it deserves further study.

An analysis of the monthly sales by classes of customers shows that whereas the sales were fairly uniform throughout the year in 1942, the variation between Summer and Winter in 1952 is very pronounced. The sales to all classes of customers in 1952 were higher in the Winter than in the Summer although this condition was most pronounced in the residential classification. Residential sales in December were 226.6 million kilowatthours, or 81.1% higher than the sales in July. The total sales in December was 288.8 million kilowatthours higher than in July.

By this time you probably realize that the system referred to is the TVA. The saturation of electric house heating in 1942 was less than 1%. Certain parts of that system, notably Memphis, have attempted to discourage house heating, but other components of the system have allowed the load to grow without direction and without proper rate design. As a result, the saturation of electric house heating reached between 8 and 10% in 1952 with devastating results to system load factor.

Any sales manager who permitted a situation similar to this to occur in a business-managed, taxpaying utility would have sold his company into receivership.

### Keeping Load Factor in Balance

A similar situation, on a much smaller scale, and less pronounced in its effect is developing in many utilities where, due to lack of information, pressure from the manufacturers or prejudice on the part of a sales manager, the load building program is tending to produce a lower load factor.

The situation in any utility system never remains static. It is constantly changing. One appliance may produce very desirable characteristics this year but two years from now it may have a much greater peak responsibility.

By constant careful analysis of load conditions on his own system and reference to typical load curves of various appliances, the sales manager can shift the emphasis from one appliance having a less favorable to one having a more favorable load characteristic.

Opportunities for load balancing for improved load factor are also present in the industrial and commercial classifications. Conditions vary so widely in these fields that it is difficult to prepare any generalized data. Frequent opportunities for load factor improvement will be discovered if the sales personnel dealing with such customers are fully acquainted with the program.

Selling for improved load factor is the third and final phase of this discussion on Building Profitable Load.

### Joins King Merritt

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — William E. Lawson has become associated with King Merritt & Company, Inc., 1151 South Broadway. He was formerly with Revel Miller & Co., and Reagan & Co., Inc.

# 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 14 | §99.9 | *99.6 | 100.3 | 12.2 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | June 14 | §2,252,000 | *2,246,000 | 2,262,000 | 254,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | May 30 | 6,356,150 | 6,359,950 | 6,276,150 | ‡ |
| Crude runs to stills—daily average (bbls.) | May 30 | ¶7,047,000 | 6,983,000 | 6,949,000 | 5,573,000 |
| Gasoline output (bbls.) | May 30 | 23,614,000 | 23,143,000 | 23,322,000 | 17,751,000 |
| Kerosene output (bbls.) | May 30 | 2,518,000 | 2,296,000 | 2,674,000 | 1,812,000 |
| Distillate fuel oil output (bbls.) | May 30 | 9,868,000 | 9,840,000 | 10,012,000 | 7,758,000 |
| Residual fuel oil output (bbls.) | May 30 | 8,564,000 | *8,348,000 | 8,457,000 | 7,851,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | May 30 | 152,435,000 | 153,923,000 | 157,599,000 | 122,161,000 |
| Kerosene (bbls.) at | May 30 | 23,527,000 | 22,540,000 | 20,040,000 | 19,050,000 |
| Distillate fuel oil (bbls.) at | May 30 | 70,842,000 | 67,052,000 | 61,314,000 | 50,966,000 |
| Residual fuel oil (bbls.) at | May 30 | 41,425,000 | 40,629,000 | 38,989,000 | 38,523,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | May 30 | 786,755 | 769,618 | 781,499 | 696,860 |
| Revenue freight received from connections (no. of cars) | May 30 | 664,223 | 657,494 | 682,457 | 615,459 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | June 4 | $215,247,000 | $291,296,000 | $252,625,000 | $225,917,000 |
| Private construction | June 4 | 86,799,000 | 153,844,000 | 152,466,000 | 106,855,000 |
| Public construction | June 4 | 128,448,000 | 137,452,000 | 100,159,000 | 119,062,000 |
| State and municipal | June 4 | 82,787,000 | 97,269,000 | 79,359,000 | 99,733,000 |
| Federal | June 4 | 45,661,000 | 40,183,000 | 20,800,000 | 19,329,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | May 30 | 8,825,000 | *8,785,000 | 8,750,000 | 8,327,000 |
| Pennsylvania anthracite (tons) | May 30 | 757,000 | 687,000 | 587,000 | 743,000 |
| Beehive coke (tons) | May 30 | 131,100 | *138,700 | 116,000 | 95,600 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | May 30 | 97 | *112 | 114 | 97 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | June 6 | 8,096,330 | *7,956,144 | 7,896,539 | 7,005,066 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | June 4 | 217 | 168 | 165 | 120 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | June 2 | 4.417c | 4.417c | 4.376c | 4.131c |
| Pig iron (per gross ton) | June 2 | $55.26 | $55.26 | $55.26 | $52.77 |
| Scrap steel (per gross ton) | June 2 | $38.83 | $38.67 | $38.83 | $42.00 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | June 3 | 29.700c | 29.675c | 29.675c | 24.200c |
| Export refinery at | June 3 | 29.825c | 29.725c | 29.925c | 36.875c |
| Straits tin (New York) at | June 3 | 96.000c | 97.000c | 93.000c | 121.500c |
| Lead (New York) at | June 3 | 13.250c | 13.250c | 12.500c | 15.000c |
| Lead (St. Louis) at | June 3 | 13.050c | 13.050c | 12.300c | 14.800c |
| Zinc (East St. Louis) at | June 3 | 11.000c | 11.000c | 11.000c | 17.500c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | June 9 | 91.86 | 90.65 | 92.12 | 98.26 |
| Average corporate | June 9 | 102.46 | 102.96 | 103.80 | 110.15 |
| Aaa | June 9 | 105.86 | 106.39 | 106.74 | 114.46 |
| Aa | June 9 | 104.31 | 105.17 | 105.86 | 112.75 |
| A | June 9 | 101.31 | 101.80 | 103.30 | 109.42 |
| Baa | June 9 | 98.57 | 98.88 | 99.84 | 104.14 |
| Railroad Group | June 9 | 100.65 | 101.31 | 101.97 | 107.44 |
| Public Utilities Group | June 9 | 102.13 | 102.46 | 103.30 | 109.60 |
| Industrials Group | June 9 | 104.66 | 105.17 | 106.39 | 113.50 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | June 9 | 3.10 | 3.19 | 3.07 | 2.62 |
| Average corporate | June 9 | 3.60 | 3.57 | 3.52 | 3.16 |
| Aaa | June 9 | 3.40 | 3.37 | 3.35 | 2.93 |
| Aa | June 9 | 3.49 | 3.44 | 3.40 | 3.02 |
| A | June 9 | 3.67 | 3.64 | 3.55 | 3.20 |
| Baa | June 9 | 3.84 | 3.82 | 3.76 | 3.50 |
| Railroad Group | June 9 | 3.71 | 3.67 | 3.63 | 3.31 |
| Public Utilities Group | June 9 | 3.62 | 3.60 | 3.55 | 3.19 |
| Industrials Group | June 9 | 3.47 | 3.44 | 3.37 | 2.98 |
| **MOODY'S COMMODITY INDEX** | June 9 | 413.6 | 419.3 | 417.4 | 436.5 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | May 30 | 226,810 | 203,693 | 341,666 | 200,761 |
| Production (tons) | May 30 | 247,581 | 249,134 | 254,917 | 188,938 |
| Percentage of activity | May 30 | 97 | 96 | 97 | 79 |
| Unfilled orders (tons) at end of period | May 30 | 459,811 | 483,436 | 539,033 | 374,989 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100** | June 5 | 106.18 | 106.24 | 106.47 | 109.20 |
| **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 23 | 24,058 | 21,775 | 31,308 | 25,196 |
| Number of shares | May 23 | 705,238 | 630,331 | 866,522 | 699,578 |
| Dollar value | May 23 | $31,857,987 | $28,504,790 | $38,550,080 | $32,751,152 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | May 23 | 22,406 | 21,485 | 27,724 | 22,119 |
| Customers' short sales | May 23 | 135 | 173 | 272 | 99 |
| Customers' other sales | May 23 | 22,271 | 21,312 | 27,452 | 22,020 |
| Number of shares—Total sales | May 23 | 626,354 | 584,635 | 777,027 | 595,457 |
| Customers' short sales | May 23 | 4,988 | 7,849 | 11,444 | 3,493 |
| Customers' other sales | May 23 | 621,366 | 576,786 | 765,583 | 591,964 |
| Dollar value | May 23 | $24,900,347 | $23,289,207 | $31,423,632 | $24,761,429 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | May 23 | 194,390 | 179,530 | 251,720 | 164,050 |
| Short sales | May 23 | | | | |
| Other sales | May 23 | 194,390 | 179,530 | 251,720 | 164,050 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | May 23 | 292,910 | 242,180 | 319,280 | 279,840 |
| **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 16 | 233,790 | 297,810 | 292,080 | 180,610 |
| Other sales | May 16 | 5,734,780 | 6,268,720 | 7,389,220 | 5,668,120 |
| Total sales | May 16 | 5,968,570 | 6,566,530 | 7,681,300 | 5,848,730 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | May 16 | 581,730 | 623,730 | 734,940 | 487,710 |
| Short sales | May 16 | 97,900 | 154,020 | 137,410 | 100,680 |
| Other sales | May 16 | 437,550 | 618,170 | 646,220 | 396,710 |
| Total sales | May 16 | 535,450 | 772,190 | 783,630 | 497,390 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | May 16 | 176,710 | 162,600 | 197,980 | 72,850 |
| Short sales | May 16 | 10,300 | 22,000 | 12,900 | 3,400 |
| Other sales | May 16 | 173,800 | 166,300 | 224,830 | 118,900 |
| Total sales | May 16 | 184,100 | 188,300 | 237,730 | 122,300 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | May 16 | 219,730 | 222,862 | 259,705 | 180,410 |
| Short sales | May 16 | 60,690 | 59,960 | 60,190 | 37,000 |
| Other sales | May 16 | 240,405 | 314,470 | 323,010 | 275,844 |
| Total sales | May 16 | 301,095 | 374,430 | 383,200 | 312,844 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | May 16 | 978,170 | 1,109,192 | 1,192,625 | 740,970 |
| Short sales | May 16 | 168,890 | 235,980 | 210,500 | 141,080 |
| Other sales | May 16 | 851,755 | 1,098,940 | 1,194,060 | 791,454 |
| Total sales | May 16 | 1,020,645 | 1,334,920 | 1,404,560 | 932,534 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | June 2 | 109.8 | 109.8 | 109.9 | 111.5 |
| Farm products | June 2 | 97.2 | 97.3 | 99.0 | 109.7 |
| Processed foods | June 2 | 105.1 | 104.8 | 104.5 | 109.2 |
| Meats | June 2 | 95.9 | 94.3 | 92.3 | 115.5 |
| All commodities other than farm and foods | June 2 | 113.4 | *113.5 | 113.4 | 112.4 |

*Revised figure. ¶Includes 660,000 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. ‡Figures not available because of oil strike.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **BUILDING CONTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S.—U. S. DEPT. OF LABOR**—Month of March (000's omitted): | | | |
| All building construction | $907,260 | $665,299 | $783,787 |
| New residential | 546,689 | 368,183 | 494,179 |
| New nonresidential | 258,466 | 213,028 | 197,739 |
| Additions, alterations, etc. | 102,105 | 84,088 | 91,869 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD** — Month of May (000's omitted): | | | |
| Total U. S. construction | $1,083,795 | $1,473,244 | $1,433,642 |
| Private construction | 635,079 | 762,722 | 737,127 |
| Public construction | 448,716 | 710,522 | 696,515 |
| State and municipal | 350,969 | 573,669 | 450,093 |
| Federal | 97,747 | 136,853 | 246,422 |
| **CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES**—Estimated short and intermediate term Credit in millions as of April 30: | | | |
| Total consumer credit | $26,177 | $25,676 | $20,940 |
| Instalment credit | 19,666 | 19,267 | 14,731 |
| Automobile | 9,073 | 8,778 | 6,186 |
| Other consumer goods | 5,194 | 5,154 | 4,053 |
| Repair and modernization loans | 1,401 | 1,383 | 1,098 |
| Personal loans | 3,998 | 3,952 | 3,394 |
| Noninstalment credit | 6,511 | 6,409 | 6,209 |
| Single payment loans | 2,147 | 2,142 | 2,007 |
| Charge accounts | 2,673 | 2,602 | 2,535 |
| Service credit | 1,691 | 1,665 | 1,667 |
| **CONSUMER PRICE INDEX—1947-49 = 100—** Month of April: | | | |
| All items | 113.7 | 113.6 | 112.9 |
| Food | 111.5 | 111.7 | 113.9 |
| Food at home | 111.1 | 111.3 | 113.9 |
| Cereals and bakery products | 118.0 | 117.7 | 115.6 |
| Meats, poultry and fish | 106.8 | 107.4 | 114.8 |
| Dairy products | 109.0 | 110.3 | 110.4 |
| Fruits and vegetables | 115.0 | 115.5 | 121.1 |
| Other foods at home | 110.4 | 109.1 | 105.0 |
| Housing | 117.0 | 116.8 | 114.0 |
| Rent | 122.1 | 121.7 | 116.9 |
| Gas and electricity | 106.5 | 106.5 | 103.9 |
| Solid fuels and fuel oil | 123.6 | 124.4 | 112.3 |
| Housefurnishings | 107.8 | 108.0 | 108.7 |
| Household operation | 114.3 | 114.0 | 111.0 |
| Apparel | 104.6 | 104.7 | 106.0 |
| Transportation | 129.4 | 129.3 | 124.8 |
| Medical care | 120.2 | 119.5 | 115.9 |
| Personal care | 112.5 | 112.4 | 111.3 |
| Reading and recreation | 107.9 | 107.7 | 106.2 |
| Other goods and service | 117.9 | 117.5 | 115.2 |
| **COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE**—Month of March: | | | |
| Cotton Seed— | | | |
| Received at mills (tons) | 24,862 | 38,317 | 22,325 |
| Crushed (tons) | 371,335 | 479,620 | 305,597 |
| Stocks (tons) April 30 | 602,963 | 949,436 | 518,480 |
| Crude Oil— | | | |
| Stocks (pounds) April 30 | 115,388,000 | *149,973,000 | 129,093,000 |
| Produced (pounds) | 131,004,000 | 165,269,000 | 106,633,000 |
| Shipped (pounds) | 170,533,000 | *182,406,000 | 134,840,000 |
| Refined Oil— | | | |
| Stocks (pounds) April 30 | 881,275,000 | *811,815,000 | 434,758,000 |
| Produced (pounds) | 159,289,000 | *169,882,000 | 123,723,000 |
| Consumption (pounds) | 92,053,000 | 90,754,000 | 106,108,000 |
| Cake and Meal— | | | |
| Stocks (tons) April 30 | 174,631 | 208,612 | 46,396 |
| Produced (tons) | 179,460 | 231,782 | 146,191 |
| Shipped (tons) | 213,441 | 233,285 | 147,131 |
| Hulls — | | | |
| Stocks (tons) April 30 | 91,363 | 82,479 | 28,820 |
| Produced (tons) | 79,635 | 105,670 | 70,456 |
| Shipped (tons) | 70,751 | 87,998 | 77,961 |
| Linters (running bales)— | | | |
| Stocks April 30 | 146,552 | 197,301 | 233,682 |
| Produced | 117,036 | 152,408 | 99,405 |
| Shipped | 167,785 | 231,459 | 121,984 |
| Hull Fiber (1,000-lb. bales)— | | | |
| Stocks April 30 | 573 | 1,612 | 1,100 |
| Produced | 1,172 | 1,377 | 242 |
| Shipped | 2,211 | 1,309 | 366 |
| Motes, Grabbots, etc. (1,000 pounds)— | | | |
| Stock April 30 | 11,783 | 13,379 | 7,552 |
| Produced | 2,335 | 2,916 | 2,022 |
| Shipped | 3,931 | 2,382 | 3,049 |
| **HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)**—Month of April: | | | |
| Factory sales of washers (units) | 288,474 | 345,986 | 217,211 |
| Factory sales of ironers (units) | 14,080 | 16,066 | 8,938 |
| Factory sales of dryers (units) | 28,556 | 49,593 | 36,109 |
| **MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS**—Month of May: | | | |
| Industrial (125) | 5.53 | 5.52 | 5.73 |
| Railroad (25) | 6.15 | 6.21 | 5.87 |
| Utilities (not includ. Amer. Tel & Tel.) (24) | 5.34 | 5.30 | 5.53 |
| Banks (15) | 4.72 | 4.60 | 4.57 |
| Insurance (10) | 3.41 | 3.41 | 3.30 |
| Average (200) | 5.51 | 5.50 | 5.65 |
| **REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD**—Month of March (000's omitted): | | | |
| Savings and loan associations | $604,854 | $503,119 | $494,321 |
| Insurance companies | 125,944 | 109,638 | 118,446 |
| Bank and trust companies | 316,046 | 268,935 | 282,830 |
| Mutual savings banks | 91,451 | 84,268 | 71,410 |
| Individuals | 236,016 | 206,550 | 223,840 |
| Miscellaneous lending institutions | 252,291 | 218,693 | 202,470 |
| Total | $1,626,602 | $1,391,203 | $1,393,317 |
| **SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)**—Month of February: | | | |
| Net railway operating income | $77,799,925 | $80,074,947 | $75,951,620 |
| Other income | 18,078,257 | 18,233,038 | 16,087,475 |
| Total income | 95,878,182 | 98,307,985 | 92,039,095 |
| Miscellaneous deductions from income | 3,818,626 | 4,369,320 | 4,334,922 |
| Income available for fixed charges | 92,059,556 | 93,938,665 | 87,704,173 |
| Income after fixed charges | 58,744,111 | 60,416,871 | 54,663,799 |
| Other deductions | 2,800,627 | 2,822,340 | 2,910,608 |
| Net income | 55,943,484 | 57,594,531 | 51,753,191 |
| Depreciation (way & structure & equipment) | 40,592,924 | 40,876,453 | 38,858,314 |
| Federal income taxes | 44,393,072 | 48,811,230 | 52,445,157 |
| Dividend appropriations: | | | |
| On common stock | 25,101,575 | 13,678,360 | 28,196,207 |
| On preferred stock | 18,893,263 | 7,240,892 | 16,419,143 |
| Ratio of income to fixed charges | 2.76 | 2.80 | 2.63 |

Continued from page 16

# More on Picketing

**HON. DeWITT S. HYDE**
**U. S. Congressman from Maryland**


De Witt S. Hyde

I believe that picketing is a necessary part of the right to strike. Of course, it should be peaceful picketing only and should not be such that it would prevent ingress or egress from the premises being picketed.

**THEODORE ROKAHR**
**President, First Bank & Trust Co. of Utica, New York**

I agree with those who want picketing made illegal because it "infringes on property rights and civil liberties." The argument of the proponents of picketing "that it is an essential component of the strike weapon to secure human rights" (emphasis mine) becomes ridiculous in the light of the hoodlumism which usually characterizes picketing — and especially mass picketing. By means of intimidation, and often by means of actual violence, it denies the right to work to those who want to work. If that, and overturning or otherwise damaging the automobiles of workers who try to go to work through picket lines, are means of "securing human freedom," my concept of human freedom must be all wrong.


Theodore Rokahr

**L. R. GAIENNIE**
**Director of Personnel, Fairbanks, Morse & Co., Chicago 5, Ill.**

Our company's attitude with regard to picketing and related phases of that subject can be summarized as follows:


L. R. Gaiennie

As far as legislation is concerned, we believe that the Federal Government should declare the following situations illegal:

(a) Picketing to aid an illegal secondary boycott.

(b) Picketing of an employer by a union that is trying to gain representation rights.

(c) Picketing of a non-unionized unit of a multiple unit employer by a unionized section of that company.

Picketing to further the above specific purposes should be declared illegal, and an employer so attacked should be able to gain legal redress for losses incurred.

We do not believe that peaceful picketing infringes on property rights and civil liberties. We believe that peaceful picketing is not an improper exercise of "free speech" guaranteed by the Constitution. However, when picketing becomes violent, abusive and terroristic, it should no longer come under the protection of the Constitution and should be dealt with summarily under the police power of the State in which such action is taking place.

**JOHN P. GATY**
**Vice-Pres. and General Manager, Beech Aircraft Corporation, Wichita 1, Kansas**


John P. Gaty

I have always been sympathetic with unions when their conduct has been ethical and proper. We have seen living examples of Communist controlled unions, racketeer-controlled unions, and plain ordinary thug-controlled unions. The Department of Justice at present is busily engaged in investigating such activities along the New York waterfront. It seems to me that picketing is a reasonable thing for employees to do, if they have gone on strike against their employer. However, picketing is one thing, and violence either to persons or property is an entirely different thing. The use of the picketing weapon by roving goon squads, either hired by the union for that purpose or brought in from other towns and cities and set up outside the place of business, is certainly something else.

In other words, the original concept of picketing was that the employee would picket the place of business of his employer. This concept has been distorted and corrupted in many ways during past several years. It seems to me that it would be possible to restore the basic concept and bar the vicious practices which have grown up almost by default during the past decades.

**W. W. SEBALD**
**President, Armco Steel Corp., Middletown, Ohio**


W. W. Sebald

While there are some who feel that picketing infringes on property rights and civil liberties, it is my view that it would not be realistic to endeavor to prevent all picketing. However, it is my opinion that the Taft-Hartley Act should be amended so that pickets would be limited to a reasonable number and only peaceful picketing would be permissible. Then the employer, the employees and the public would not be the victims of violence and other lawless acts.

Picketing for union recognition or organization purposes should not be permitted as the unions have available to them the tried and tested method of settling such questions through the ballot box in elections conducted by the government.

It is a well known fact in far too many cases that the use of violence and destruction by union pickets in the attempt to intimidate the employer, the public and fellow employees has been resented by the American people. Such actions have created widespread pressure for orderly and limited picketing.

This legislation as in all other is to limit the acts of those unions or those union members which need to be restrained the same as we need legislation to protect individuals and society in general against acts not in the public interest.

**JOHN A. NORTH**
**President, The Phoenix Insurance Co., Hartford, Conn.**


John Alden North

I would merely state that I have always felt picketing was in violation of constitutional rights because it forcibly prevents the free act of working by an employee who does not necessarily agree with the leader of his union. It, therefore, denies him the right to work.

Actually, picketing proves nothing because those who desire work are not freely expressing themselves, but refraining because of fear of bodily injury or injury to their families. It is also based on a fear complex of the unions themselves because they are afraid some of their members will go to work and thus destroy the power of the union leader. A fear complex is a sign of immaturity; and while unions have grown up a lot in the last 50 years, they have a long way to go.

These are my personal opinions and, naturally, I would like to see the Taft-Hartley Act retained on our statutes, although I appreciate that certain amendments are necessary to make it more workable.

**HON. BILL LANTAFF**
**U. S Congressman from Florida**


Bill Lantaff

I feel that peaceful picketing is a necessary adjunct of labor's right to strike.

**ERNEST R. ACKER**
**President, Central Hudson Gas & Electric Corp., Poughkeepsie, N. Y.**


Ernest R. Acker

Because there are so many aspects of this subject it is a difficult one to discuss. In submitting my comments, I wish to emphasize that I do not take any exception to the proper use of picketing in a peaceful manner. However, whatever may be said on behalf of peaceful picketing as a form of free speech and as a method of advising the public of a Union's position in cases where a labor dispute exists, I believe that mass picketing causes labor unrest, is an unfair intimidation of those employees who desire to work, is frequently an incitement to lawlessness and violence and should, therefore, be prohibited.

Picketing resulting from jurisdictional disputes between Unions is coercion, not of the other party to the dispute, but of an innocent third party. As the employer who is picketed in such cases cannot resolve the dispute, the Unions should recognize the unfairness of their acts and the fact they cause great economic loss by reason of the related work stoppages. It, therefore, seems to me entirely reasonable that Unions should find some method of settling their jurisdictional dispute without resorting to this practice, or legislation should be enacted to provide a procedure whereby the employer can gain prompt relief.

Another abuse which contributes to labor unrest and is contrary to the public interest is picketing to force recognition by an employer when the Union represents only a minority of the employees. As the law provides procedures by which a Union representing a majority of the employees can obtain a bargaining status, it should prohibit picketing in cases where the Union does not represent a majority of the employees.

If the law were amended to provide a quick and adequate remedy against the foregoing types of picketing, I think a long step forward would have been taken toward the promotion of peaceful labor relations.

**MELVIN H. BAKER**
**Chairman, National Gypsum Co., Buffalo 2, N. Y.**


Melvin H. Baker

It is our belief that picketing should be eliminated where the plant is operating under an open-shop contract. It is our further belief that plants which operate under a closed union shop should be allowed the right to picket provided the owner can invoke the law to prevent violence and destruction.

Our reasoning in this will be obvious in that where all labor agree to a closed union, then outside workers have no right in it. On the other hand, where a majority of labor represents the union and a minority does not for any reason participate in the union, that majority has no right to deny others the right to work, and to do so would be un-American.

**R. J. KOCH**
**President, Felt & Tarrant Mfg. Co., Chicago, Ill.**


R. J. Koch

In both instances where our plant was picketed, threats to the physical welfare of employees was made. Whether or not the unions as a whole sanction tactics of this kind, the fact remains that where human beings are involved threats seem to be an accepted part of picketing. Personally, the writer does not believe that it is possible to have picketing without intimidation in spite of the pious statements of the union and other supporters of such activities that picketing is all peaceful.

**HON. WALTER M. MUMMA**
**U. S. Congressman from Pennsylvania**


Walter M. Mumma

I think "picketing" should be confined to the employees who have a grievance and use this method of supplementing their position — no others especially when there is no labor dispute with one's own employees.

**REUBEN E. SOMMER**
**President & General Manager, Keystone Steel & Wire Company, Peoria 7, Ill.**


R. E. Sommer

My views on this topic are that the basic purpose of picketing is to prevent someone from working who is able and willing to work. In its worst form, it involves fear, coercion and even bodily harm. The basic right of a man to work, if he wants to, is one of the freedoms which our Constitution is supposed to provide. Any violation of it is a violation of the Constitution.

**C. L. AUSTIN**
**President, Jones & Laughlin Steel Corp., Pittsburgh 30, Pa.**


C. L. Austin

I believe, in the first place, that under our American constitutional concept of liberty the employee has the very definite right to make known his position by peaceful picketing; i.e., picketing that does not interfere or threaten to interfere with safety of persons or property and the free and unrestricted movement of persons or things to or from the employer's property or elsewhere; and that this right should be protected by law.

I believe also that there are two other rights under our concept of liberty which must be protected. The first of these is the right of the employee to enter upon the employer's property to work if that entrance is permitted by the employer. The second is the property right of the employer which most definitely includes his right to have persons and things freely moved to and from his property as he may desire.

The whole position can be boiled down very simply and expressed in this fashion; that peaceful picketing of an employer's premises by *his* employees, short of coercion or other interference with the rights of others, is proper and should not be interfered with by law; picketing which involves such coercion or other interference is contrary to the constitutional liberty of Americans and should be prohibited specifically by law and the law diligently enforced.

# 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.

**★ Alabama Life & Casualty Insurance Co.**
June 3 (letter of notification) 5,000 shares of capital stock. **Price** — $25 per share. **Proceeds** — For working capital. **Office**—717-720 Empire Bldg., Birmingham, Ala. **Underwriter**—None.

**★ Alaska-Wrangell Mills, Inc., Seattle, Wash.**
June 9 (letter of notification) 58,000 shares of capital stock. **Price**—At par ($5 per share). **Proceeds**—For working capital. **Business**—Lumber mill. **Office**—216 Third Ave., South, Seattle, Wash. **Underwriter** — National Securities Corp., Seattle, Wash.

**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.

**● Applied Science Corp. of Princeton (7/1)**
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. Registration statement may be withdrawn.

**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%. **Offering**—Indefinitely postponed.

**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. (6/22)**
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. (6/12)**
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. (6/15-17)**
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.

**● Beryllium Corp., Reading, Pa.**
May 15 filed 88,385 shares of common stock (no par) being 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**—$25.50 per share. **Proceeds**—For a modernization and expansion program. **Business** — Produces beryllium alloys. **Underwriter** — Francis I. du Pont & Co., New York.

**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.

**★ Bonanza Mining Co., Phoenix, Ariz.**
June 8 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Office**—807 Title & Trust Bldg., Phoenix, Ariz. **Underwriter**—None.

**● Brandywine Raceway Association, Inc., Wilmington, Del.**
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. **Offering**—Expected today (June 11).

**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.

**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

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## NEW ISSUE CALENDAR

**June 12 (Friday)**
Aviation Equipment Corp. — Debs. & Stock
(Union Securities Corp.)

**June 15 (Monday)**
Bergen Daily Bulletin, Inc. — Common
(McLaughlin, Reuss & Co.) $150,000
Chlorophyll Chemical Corp. — Common
(Mitchell Securities, Inc.) $300,000
KLB Oil Corp. — Common
(Aetna Securities Corp.) $300,000
Michigan Consolidated Gas Co. — Bonds
(Bids 10:30 a.m. EST) $20,000,000
North American Peat Moss Co., Inc. — Common
(R. A. Keppler & Co., Inc.) $500,000
Remington Corp. — Common
(Carl M. Loeb, Rhoades & Co.) $245,000
Washington Gas Light Co. — Bonds
(Bids 11:30 a.m. EDT) $7,000,000

**June 16 (Tuesday)**
Bangor Hydro-Electric Co. — Common
(Offering to stockholders—underwritten by Smith, Barney & Co.) 45,254 shares
Johnston Oil & Gas Co. — Common
(Allen & Co.) 500,000 shares
Nagler Helicopter Co., Inc. — Common
(John R. Boland) $299,000
New England Electric System — Common
(Offering to stockholders—underwritten by Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co.)
New Jersey Power & Light Co. — Bonds
(Bids 11 a.m. EDT) $5,500,000
Skiatron Electronics & Television Corp. — Common
(Wright, Wood & Co.) 15,000 shares

**June 17 (Wednesday)**
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 (Thursday)**
Chicago, St. Paul, Minneapolis & Omaha Ry. — Equip. Trust Ctfs.
(Bids noon CDT) $1,170,000
Pittston Co. — Preferred
(Offering to stockholders—no underwriting)
U. S. Airlines, Inc. — Common
(Gearhart & Otis, Inc.) 1,000,000 shares

**June 19 (Friday)**
Erie Resistor Corp. — Preferred
(Fulton, Reid & Co.) $1,250,000

**June 22 (Monday)**
Athabasca Uranium Mines, Ltd. — Common
(George D. Clarke, Ltd.) $625,000
Robertshaw-Fulton Controls Co. — Preferred
(Reynolds & Co.) $4,000,000
Rogers Corp. — Class B
(Offering to stockholders—no underwriting)

**June 23 (Tuesday)**
Gulf States Utilities Co. — Common
(Bids 11 a.m. EDT) about $86,000,000
New York Telephone Co. — Bonds
(Bids 11 a.m. EDT) $35,000,000

**June 24 (Wednesday)**
Southern Pacific Co. — Equip. Trust Ctfs.
(Bids noon EDT) $8,445,000
York County Gas Co. — Common
(Offering to stockholders—no underwriting) $240,000

**June 25 (Thursday)**
Sunrise Supermarkets Corp. — Debs. & Stock
(Estabrook & Co. and Childs, Jeffries & Thorndike, Inc.) $400,000 of debentures and 40,000 common shs.

**June 29 (Monday)**
Gas Service Co. — Common
(Bids to be invited) 1,500,000 shares

**June 30 (Tuesday)**
Pennsylvania Electric Co. — Bonds
(Bids 11 a.m. EDT) $12,500,000
Seeck & Kade, Inc. — Pfd. & Common
(Bids 3 p.m. EDT)

**July 1 (Wednesday)**
Applied Science Corp. — Notes & Stock
(C. K. Pistell & Co., Inc.) $787,500
Mobile Gas Service Corp. — Common
(Offering to stockholders—underwritten by The First Boston Corp. and The Robinson-Humphrey Co., Inc.) 40,000 shs.

**July 8 (Wednesday)**
Commonwealth Edison Co. — Bonds
(Bids to be invited) $40,000,000

**July 16 (Thursday)**
Consumers Power Co. — Bonds
(Bids to be invited) $25,000,000

**August 3 (Monday)**
Denver & Rio Grande Western RR. — Eqp. Tr. Ctfs.
(Bids to be invited)

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Co. on a 1-for-5½ basis, plus 25 cents in cash. **Price**—$25 per share. **Proceeds**—To acquire aforementioned stocks. **Underwriter**—Sheridan Bogan Paul & Co., Philadelphia, Pa.

**Central City Milling & Mining Corp.**
March 4 (letter of notification) 1,800,000 shares of common 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 (6/15)**
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.

★ **Continental Sulphur & Phosphate Corp.**
June 4 (letter of notification) $50,000 of 5% 3-year promissory notes (convertible into common stock). **Proceeds**—For operating capital. **Office**—2010 Tower Bldg., Dallas, Texas. **Underwriter**—None.

**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.**
May 19 filed 318,625 shares of capital stock (par 50 cents), being 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**—$9.20 per share. **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), being offered for subscription by common stockholders on a basis of one new share for each six shares held as of June 1, with rights to expire on June 17; unsubscribed stock to be offered to officers and employees. **Price**—$18.75 per share. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—Allen & Co.

★ **Dividend Shares, Inc., New York**
June 5 filed 7,000,000 shares of capital stock (par 25¢). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

**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.**
May 15 filed 100,000 shares of common stock (par $1) being 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.

**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% prefererd stock (par $10) and 21,400 shares of class B nonvoting common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$12.50 per unit **Proceeds** — For operating capital. **Office** — 107 South Fourth St., Paducah, Ky. **Underwriter**—W. L. Lyons & Co., Louisville, Ky.

**Gas Service Co. (6/29)**
May 22 filed 1,500,000 shares of common stock (par $10) **Proceeds**—To be used by Cities Service Co. to increase investment in Empire Gas & Fuel Co., another subsidiary. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Stone & Webster Securities Corp. and Stern Bros. & Co (jointly). **Bids**—Tentatively planned for 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 Foods Corp., New York**
June 5 filed $5,400,000 aggregate amount of common stock (no par) issuable under the corporation's Employee Savings-Investment Plan. **Underwriter**—None.

**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 Public Utilities Corp.**
May 6 filed 568,665 shares of common stock (par $5) being 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 22, 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 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.**
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.

★ **Huse-Liberty Mica Co., Boston, Mass.**
June 4 (letter of notification) 5,000 shares of common stock (par $5). **Price**—$12.75 per share. **Proceeds**—To The Harvard Trust Co. and E. H. Earle, trustees for Robert Chapman, Jr. **Office**—171 Camden St., Boston, Mass. **Underwriter** — F. L. Putnam & Co., Inc., Boston, Mass.

**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.

★ **Inland Empire Corp., Salt Lake City, Utah**
June 1 (letter of notification) 500,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For development costs. **Office**—620 Judge Bldg., Salt Lake City, Utah. **Business**—Metal treatment. **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 568,000 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.

● **Johnston Oil & Gas Co. (6/16)**
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.**
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.

**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.

**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.**
May 22 filed approximately 175,181 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 (154,160 shares as of June 9, 1953), which have been called for redemption July 13. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. Statement effective June 10. Conversion privilege expires on July 8.

**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.

★ **Mobile Gas Service Corp. (7/1)**
June 11 filed 40,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record June 30, 1953 on a 1-for-5 basis (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction purposes. **Underwriters** — The First Boston Corp., New York; and the Robinson-Humphrey Co., Inc., Atlanta, Ga.

● **Monterey Oil Co., Los Angeles, Calif.**
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. **Offering**—Temporarily postponed.

**Mutual Telephone Co., Honolulu**
May 18 filed 200,000 shares of common stock being 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.) (6/16)**
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 (6/16)**
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. **Price**—$12 per share. **Proceeds** —For expansion program. **Underwriters** — Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly).

● **New Jersey Power & Light Co. (6/16)**
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**—To be received up to 11 a.m. (EDT) on June 16 at 67 Broad St., New York 4, N. Y.

**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 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. (6/15-18)**
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.

**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.

★ **Overland Oil & Gas Corp., Bismark, N. D.**
June 5 (letter of notification) 115,668 shares of common stock. **Price**—$1 per share. **Proceeds**—For operating capital. **Underwriter**—None.

**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.

**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.

★ **Pittsburgh-Des Moines Co.**
May 29 (letter of notification) 2,000 shares of capital stock (no par) to be offered to employees of this company in conjunction with offer of a like number of shares of beneficial interest in Pittsburgh-Des Moines Steel Co.; offer expires on June 30. **Price** — $43 per share. **Proceeds**—For working capital. **Office**—Neville Island, Pittsburgh 25, Pa. **Underwriter**—None.

★ **Pittsburgh-Des Moines Steel Co.**
May 29 (letter of notification) 2,000 shares of beneficial interest to be sold to employees of company; offer expires on June 30, 1953. **Price**—$17 per share. **Proceeds** For working capital. **Office**—Neville Island, Pittsburgh 25, Pa. **Underwriter**—None.

● **Pittston Co., New York (6/18)**
May 20 filed 50,000 shares of 5½% convertible preferred stock to be offered for subscription by common stockholders of record June 18 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.

★ **Powdercraft Corp., Spartanburg, S. C.**
June 3 (letter of notification) 5,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Business**—Makes machine parts. **Office** 746 Hayne St., Spartanburg, S. C. **Underwriter**—Calhoun & Co., Spartanburg, S. C.

★ **Pubco Development, Inc., Albuquerque, N. M.**
June 3 filed subscription warrants for 302,989 shares to be issued to present holders of subscription warrants ($1 par common stock). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Allen & Co., New York.

**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.

★ **Raisin Markets, Inc., Los Angeles, Calif.**
June 5 (letter of notification) 30,000 shares of class A stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—5320 West 104th St., Los Angeles, Calif. **Underwriter**—None.

★ **Remington Corp., Auburn, N. Y. (6/15)**
June 1 (letter of notification) 70,000 shares of common stock (par $1). **Price**—$3.50 per share. **Proceeds**—For expansion and working capital. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

**Resort Airlines, Inc., Miami, Fla.**
March 6 (letter of notification) 724,687 shares of common stock (par 10 cents) to be offered for subscription by stockholders on a pro rata basis. **Price**—20 cents per share. **Proceeds**—For working capital. **Address**—Box 242, International Airport, Miami 48, Fla. **Underwriter**—None.

★ **Richfield Oil Corp., Los Angeles, Calif.**
June 4 filed $5,700,000 of interests in the Stock Purchase Plan for Employees of this corporation, together with 100,000 shares of no par common stock which may be purchased pursuant to the provisions of the Plan.

**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.

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**● 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; rights to expire on June 29. **Price**—$20 per share. **Proceeds**—To retire $100,000 bank loan and for working capital. **Business** — Manufacture of plastic materials. **Underwriter**—None.

**Saint Anne's Oil Production Co.**
April 23 filed 270,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock of Neb-Tex Oil Co., to pay loans and for working capital. **Office**—Northwood, Iowa. **Underwriter**—Sills, Fairman & Harris and H. M. Byllesby & Co., Inc., both of Chicago, Ill. Amendment to be filed.

**● San Diego Gas & Electric Co.**
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**—$13.30 per share. **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.

**Sinclair Oil Corp.**
May 22 filed $10,500,000 of participations in employees savings plan, together with 210,000 shares of no par common stock of corporation issuable under plan.

**★ Skiatron Electronics & Television Corp. (6/16)**
June 2 (letter of notification) 15,000 shares of common stock (par 10¢). **Price**—At the market (about $2-$2½ per share—$2.12½ per share to underwriter). **Proceeds** —To demonstrate "Subscriber-Vision." **Office** — New York City. **Underwriter** — Wright, Wood & Co., Philadelphia, Pa.

**● Socony-Vacuum Oil Co., Inc.**
May 19 filed $15,000,000 of interest in company's employees' savings plan and 375,000 shares of capital stock purchasable under the plan. Statement effective June 2.

**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.

**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. Statement effective June 8.

**★ Sunrise Supermarkets Corp. (6/25)**
June 5 filed $400,000 of subordinate sinking fund debentures due June 1, 1968, and 40,000 shares of common stock (par $1), of which 20,000 shares are for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion of business and other corporate purposes. **Office**—Long Island, N. Y. **Underwriters** — Estabrook & Co. and Childs, Jeffries and Thorndike, Inc., both of New York.

**★ (G. S.) Suppiger Co., Collinsville, Ill.**
June 8 (letter of notification) 3,750 shares of common stock (par $10) and 750 shares of preferred stock (par $100) to be offered in units of five shares of common and one share of preferred. **Price**—$200 per unit. **Proceeds**—For working capital. **Business**—Food packager. **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.

**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.

**★ U. S. Thermo Control Co., Minneapolis, Minn.**
June 5 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$3.25 per share. **Proceeds**—To J. A. Numero, President. **Underwriter**—George F. Breen, 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**—To be received up to 11:30 a.m. (EDT) on June 15 at the company's office in Washington, D. C. Statement effective June 9.

**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.

**Westerly Automatic Telephone Co.**
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.

**● Western Light & Telephone Co., Inc.**
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. **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. **Offering**—Temporarily postponed.

**★ Western Natural Gas Co., Houston, Tex.**
June 8 (letter of notification) 7,030 shares of 5% preferred stock to be offered to stockholders. **Price**—At par (par $30 per share). **Proceeds** — For operating capital. **Office**—1006 Main St., Houston 2, Tex. **Underwriter**—None.

**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.

**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. **Underwriter**—None.

**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 & 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.**
June 1 shareholders of record May 15 were to have warrants mailed to them 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. (7/16)**
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). **Bids** — Expected to be received on July 16.

**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 debentures 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.

**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.**
June 8 it was reported that early registration is expected of $13,600,000 of 5½% notes and 3,400,000 shares of common stock to be offered in units of $20 of notes and five shares of stock initially to stockholders of Panhandle Eastern Pipe Line Co. **Price**—$48.75 per unit. **Proceeds**—From sale of these securities, together with $96,000,000 to be received from sale of first mortgage 4⅛% bonds to 18 insurance companies, led by Metropolitan Life Insurance Co., to be used to pay for new construction. **Underwriter** — Carl M. Loeb, Rhoades & Co., New York. **Offering**—Of units, expected late in June.

● **Industrial National Bank (Detroit)**
Stockholders of record May 29 have 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. **Underwriter**—None.

★ **Ionics, Inc., Cambridge, Mass.**
June 4 it was announced company, a subsidiary of American Research & Development Corp., plans to offer publicly 131,784 additional shares of common stock following hearing to be held by SEC on June 15. **Proceeds**—For expansion. **Underwriter** — Lee Higginson Corp., New York and Boston (Mass.).

**Iowa Electric Light & Power Co.**
April 13 it was reported company may sell in June some common and preferred stock and/or debentures. **Underwriters** — For stock: The First Boston Corp. and G. H. Walker & Co., both of New York. Previous debt financing was done privately.

**Iowa-Illinois Gas & Electric Co.**
May 15 it was reported company may issue and sell early in 1954 about $6,000,000 aggregate amount of common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane, Harriman Ripley & Co. Inc.

**Kansas-Nebraska Natural Gas Co., Inc.**
May 12 it was reported company may issue and sell about $4,750,000 first mortgage bonds. **Proceeds**—To repay $800,000 bank loans and for new construction. **Underwriter**—Central Republic Co., Inc., Chicago, Ill.

**Long Island Lighting Co.**
April 21 it was announced that company this Fall plans to issue and sell in the neighborhood of 600,000 shares of new common stock to be followed in the latter part of the year by an issue of about $25,000,000 of first mortgage bonds (this is in addition to 100,000 shares of series C preferred stock, par $100, offered publicly on May 7). **Proceeds**—To repay bank loans and for new construction. **Underwriters** — (1) For common stock, probably Blyth & Co., Inc. and The First Boston Corp. (jointly). (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & Co.

**Louisiana Power & Light Co.**
March 20 it was announced company may issue and sell in June $12,000,000 of first mortgage bonds. **Underwriters** — To be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and A. C. Allyn & Co., Inc. (jointly); Blyth & Co., Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; W. C. Langley & Co., The First Boston Corp., and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co., Inc.; Equitable Securities Corp.

**Maier Brewing Co., Los Angeles, Calif.**
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Proceeds** — To help finance a new bottling plant. **Underwriter**—None.

● **Manufacturers National Bank of Detroit**
June 9 stockholders of record were offered 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.

**Menabi Exploration Co., Inc., Houston, Tex.**
April 8 it was announced company plans to issue and sell $1,000,000 of convertible debentures. **Proceeds**—To finance development of oil properties in Ecuador. **Underwriter**—Kidder, Peabody & Co., New York.

**Minneapolis-Honeywell Regulator Co.**
April 28 stockholders approved a proposal increasing authorized common stock (par $1.50) from 3,440,000 to 3,950,000 shares and the preference stock (par $100) from 160,000 to 210,000 shares. Immediate issuance of increased stock not planned. **Underwriter**—Probably Union Securities Corp., New York.

**Mississippi Power & Light Co.**
March 20, E. H. Dixon, President of Middle South Utilities, Inc., announced that refunding of Mississippi Power & Light Co.'s $6 preferred stock (no par), of which 44,476 shares are now outstanding, may be considered. This issue is callable at $110 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and Equitable Securities Corp. (jointly); W. C. Langley & Co., and The First Boston Corp. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.

**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.

**New York State Electric & Gas Corp.**
Feb. 27 it was reported that company may, later in 1953, issue and sell $20,000,000 first mortgage bonds (following private sale of 75,000 shares of 4.40% preferred stock, par $100 in February and $5,000,000 of 3¾% debentures due 1991 in April). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

**Northwest Natural Gas Co.**
March 23 it was reported that this company plans to finance its proposed 1,300-miles pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common

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stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

**Ormond Corp., Albuquerque, N. M.**
March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. **Office**—5003 Central Avenue, N. E., Albuquerque, N. M.

**Pacific Northwest Pipeline Corp.**
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

**Pacific Telephone & Telegraph Co.**
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman Borthers and Union Securities Corp. (jointly). Stock would be offered to stockholders, without underwriting. American Telephone & Telegraph Co., parent, owns 91.25% of Pacific common shares.

**Permian Basin Pipeline Co., Chicago, Ill.**
Feb. 4 company filed an amended application with FPC for authority to construct a 163-mile pipeline system at an estimated cost of $40,269,000. Financing may be done privately. **Underwriters** — Stone & Webster Securities Corp. and Glore, Forgan & Co., both of New York. Of the stock of this company, 51% is now owned by Northern Natural Gas Co.

**Public Service Co. of New Hampshire**
Nov. 3 it was announced company plans to issue and sell in 1953 approximately $5,000,000 of bonds and sufficient common shares to raise about $4,000,000. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: For bonds, Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co. For stock: Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc.

**Public Service Co. of Oklahoma**
March 2 it was reported company may issue and sell 40,000 shares of new preferred stock (par $100). **Underwriters** — To be determined by competitive bidding. Probable bidders: Glore, Forgan & Co.; Smith, Barney & Co.; Kuhn, Loeb & Co.; Harriman Ripley & Co., Inc., and Central Republic Co. (Inc.). **Proceeds**—For additions and improvements.

**Public Service Electric & Gas Co.**
Feb. 25 it was announced company plans issuance and sale in June of $50,000,000 of first refunding mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp. **Offering**—Postponed.

**Rochester Gas & Electric Corp.**
May 3 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).

**★ Southern Pacific Co. (6/24)**
Bids will be received by the company up to noon (EDT) on June 24 for the purchase from it of $8,445,000 equipment trust certificates to be dated July 1, 1953, and to mature in 15 equal annual instalments from 1954-1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**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.

**Tennessee Gas Transmission Co.**
March 27 it was reported company expects to do some debt financing this Fall (under $50,000,000) to replace short-term bank loans. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

**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 indebtedeness that the company may create, without consent of majority of the preferred stockholders shall be 20% (instead of 10%) of the aggregate of company's secured indebtedness and capital and surplus Charles E. Ide, President, stated that the management has no present plans to issue new common shares. The First Boston Corp. and Collin, Norton & Co. handled latest common stock financing. Probable bidders on any bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Smith, Barney & Co.

**Transcontinental Gas Pipe Line Corp.**
May 4 it was reported company may issue some convertible preferred stock before the Fall. **Underwriters** —Probably White, Weld & Co. and Stone & Webster Securities Corp., both of New York .

**United Gas Corp.**
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

# Halsey, Stuart Group Offer Consol. Gas El. Lt. & Pow. Bonds

Halsey, Stuart & Co. Inc. and associates are offering today (June 11) $25,000,000 Consolidated Gas Electric Light & Power Co. of Baltimore first refunding mortgage sinking fund bonds, series Y 3⅞%, due June 1, 1983. Offered at 102.239% and accrued interest, the bonds were won by the underwriting group at competitive sale on June 9 on a bid of 101.649999%.

Net proceeds from the sale of the new bonds will be used for general corporate purposes, including proposed construction expenditures. It is presently estimated that the company's construction program may require expenditures of about $31,000,000 in 1953. Indications are that expenditures in 1954 and 1955 may approximate this year's figure. Funds required to carry out the proposed construction program, in addition to those provided through the current financing, are expected to be provided by accruals to reserves, and through the further issuance of securities.

The new bonds are to be redeemable at regular redemption prices ranging from 105.24% to par, and if redeemed through the sinking fund, at prices ranging from 102.24% to par, plus accrued interest in each case.

Consolidated Gas Electric Light & Power Co. of Baltimore is engaged principally in the business of producing and selling electricity and gas within the State of Maryland where all of its properties are located. The company also is engaged in the sale of gas and electrical appliances and allied merchandise and the production and sale of steam. It furnishes electricity and gas in Baltimore and adjacent territory. The area served with electricity contains approximately 2,285 square miles with an estimated population of about 1,500,000, and the area served with gas contains about 267 square miles with an estimated population of 1,250,000.

Operating revenues of the company aggregate $90,868,674 for 1952; gross income was $13,604,541 and net income was $10,139,982.

## COMING EVENTS
In Investment Field

**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 Traders Association of Detroit & Michigan summer outing at the Plum Hollow Country Club.

**June 19, 1953 (Milwaukee, Wis.)**
Bond Club of Milwaukee Annual Field Day at the Oconomowoc Lake Club and Oconomowoc 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.

# Our Reporter's Report

The corporate new issue market made a relatively good showing this week in face of further mild nervousness in the seasoned bond list and definite weakness in the equity market.

**Perhaps the approach of the mid-year reinvestment season was a factor with institutions and individuals inclined to anticipate the pending influx of semi-annual interest payments and dividends.**

At any rate it was indicated that a rather formidable demand was soaking up new issues being marketed currently with virtually all of the General Motors Acceptance Corp.'s intermediate debentures, due to be offered today, having been spoken for.

**Consolidated Gas, Electric Light & Power Co. of Baltimore's $25,000,000 of first and refunding 30-year mortgage bonds on which the top bid was separated by only about $1 a bond from the second tender, set the pace.**

This issue was reported to have been taken up quickly with insurance companies, savings banks and pension funds absorbing the bulk of the bonds at the offering price of 102.239 for an indicated yield of 3.75%.

### Filling a Spot

Carrying top credit rating, General Motors Acceptance Corp.'s $150,000,000 of relatively short-term debentures (they mature July 1, 1958) had the further attraction of that intermediate maturity.

**It is difficult to remember the last time institutions have had an opportunity to subscribe for an issue of that duration. And doubtless there were many porfolios into which it fitted nicely.**

The offering today, with preliminary inquiries indicating quick oversubscription, was expected to be priced at par for a 4% coupon.

### Slower Absorption

Northern Natural Gas Co.'s $40,000,000 of debentures were reported to be moving but at a slower pace. Paying the company a price of 100.56 for 4½s, the successful banking group reoffered at 102 for a yield of 4.35%.

**Up until the day of the bidding it had been indicated that three banking groups would be in the running but when the time came for opening of tenders, only two had been received. The third group decided to withdraw presumably due to a conflict of ideas.**

The 20-year maturity, which got it out of the "rut" of 30-year maturities that has been prevalent in the utility field over the months, was a factor counted on to help speed up distribution.

### Phillips Pete Debentures

Late last month Phillips Petroleum Co., through a syndicate of investment bankers, opened subscriptions on "rights" for $162,222,000 of new 30-year convertible debentures.

**Yesterday the results of this operation were made known following the expiration of subscription rights as of the close of business on Tuesday. The figures showed tremendous interest, the company reporting all but $16,342,800 of the total taken by its stockholders.**

This meant that bankers who had been "standing by" would take down the unsold balance for public offering. Though the "rights" virtually evaporated before expiring, as the stock market ran off, the when-issued "quote" for the debentures, 100¼-100½, indicated that a fair short interest may have accumulated.

## Morgan Stanley Group Offer General Motors Acceptance Debs.

A new issue of $150,000,000 General Motors Acceptance Corp. five-year 4% debentures was marketed on June 11 by a nationwide banking group including 237 investment firms, headed by Morgan Stanley & Co. The debentures mature July 1, 1958, and are priced at 100% and accrued interest.

They will be non-callable for two years and will then be redeemable at 102% during the six months ended Dec. 31, 1955, declining ½ of 1% each six months thereafter to and including June 30, 1957, and at 100% thereafter.

The company, which is a subsidiary of General Motors Corp., believes that it does a greater volume of automotive financing than any other finance company in the United States. During 1952, approximately 93% of its business was automobile financing, the remaining 7% being derived from the financing of other products, such as electric refrigerators and air conditioners, heating equipment, and diesel equipment for railroads and other industries.

The net proceeds from the sale of the debentures will provide additional working capital for the purchase of receivables. The company has experienced a large expansion in its business in the last five years. Receivables, after deducting applicable reserves, were $320,398,000 at the end of 1947, and had increased to $1,622,717,000 at the end of 1952. At the end of April 1953, receivables totaled $2,023,992,000, which showed a further increase of 24.7% since the end of 1952.

Total operating income increased from $33,392,000 in 1948 to $125,404,000 in 1952. Net income, after all taxes, was $5,583,000 in 1948 and had increased to $21,063,000 in 1952.

## Blyth Group Offer No. Nat. Gas Debs.

Public offering of a new issue of $40,000,000 Northern Natural Gas Co. 4½% sinking fund debentures is being made today (June 11) by an investment banking group headed by Blyth & Co., Inc. The debentures are priced at 102 and accrued interest to yield 4.35%.

Commencing in 1956, a sinking fund will operate to retire the issue in full by maturity. The optional redemption price starts at 106% and scales down annually.

Proceeds from the sale of new 4½% debentures and from the sale of 548,000 shares of the utility's common stock will be used to repay $48,000,000 in outstanding short-term bank loans and for additional construction to increase system capacity.

The company owns, operates and maintains a pipeline system extending from natural gas fields in Texas, Oklahoma and Kansas to points in Kansas, Nebraska, Iowa, Minnesota and South Dakota. Approximately 83% of its requirements in 1952 were purchased from other producers. Present construction is expected to increase system capacity to 825 million cubic feet daily north of Kansas. The company also owns more than a 50% equity in Permian Basin Pipeline Co. from which Northern Natural will eventually purchase 300 mill.on cubic feet of gas per day.

Operating revenues for the year 1952 totaled $47.400 000 and gross income was $6,502,000.

## Bankers Underwrite Decca Records Offer

Decca Records Inc. is offering holders of its capital stock of record June 9 rights to subscribe for 318,625 additional shares at $9.20 per share on the basis of one share for each 3¼ shares held. The subscription offer will expire at 3:30 p.m. (EDST) on June 25, 1953. An underwriting group headed by Reynolds & Co. and Laurence M. Marks & Co. will purchase any unsubscribed shares.

Net proceeds to be received from the sale of the additional shares will be added to the general corporate funds, to be used for such purposes as may from time to time be determined by the board of directors. The sum of $1,000,000 which has been expended in additional purchases of securities of Universal Pictures Co., Inc., will be restored to working capital. The corporation has no present plans for devoting the excess of the net proceeds to any particular purpose other than for financing inventories and receivables and for current operations, except that the corporation presently intends to exercise the warrants which it now holds to purchase 37,500 shares of common stock of Universal, which would require the investment of an additional $375,000.

Decca Records Inc. and its subsidiaries are engaged in the business of recording, manufacture and distribution of phonograph records. Through a subsidiary, the corporation also engages in the distribution of phonographs, radio-phonographs, needles and other accessories, all of which are manufactured by others. Certain of the corporation's other subsidiaries are engaged in the music publishing business.

For the three months ended March 31, 1953 the company reported net income of $234,685 and for the full year 1952 net income aggregated $933,265.

## Cleveland Analysts Elect New Officers

CLEVELAND, Ohio — Edward W. McNelly, Union Bank of Commerce, has been elected President of the Cleveland Society of Security Analysts. Other officers named were Gilbert Palmer, National City Bank, Vice-President, and G. Pascal Sawyer, Cleveland Trust Co., Secretary-Treasurer. Elected to the executive committee were Paul J. Eakin, Hornblower & Weeks, Thomas B. Rowe, Ohio Farmers Insurance Co., John M. Marston, Ball, Burge & Kraus, Richard E. Mayne, Central National Bank, Warner L. Taylor, H. C. Wainwright & Co., H. Stuart Harrison, Cleveland-Cliffs Iron Co., Charles A. Hoskin, McDonald & Co., and Paul M. Murphy, George W. Blauvelt and David G. Watterson, the three Past Presidents of the Society.

The Society also announced that Western Reserve University will present a course next fall to prepare specialists in security analysis.



## DIVIDEND NOTICES

**New York & Honduras Rosario Mining Company**

120 Broadway, New York 5, N. Y.

June 10, 1953.

DIVIDEND NO. 403

The Board of Directors of this Company, at a Meeting held this day, declared an interim dividend for the second quarter of 1953, of One Dollar ($1.00) a share on the outstanding capital stock of this Company, payable on June 27, 1953, to stockholders of record at the close of business on June 18, 1953.

W. C. LANGLEY, Treasurer.

**THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY**

New York, N. Y., June 5, 1953.

The Board of Directors has this day declared a dividend of One Dollar and Twenty-five Cents ($1.25) per share, being Dividend No. 169 on the Preferred Capital Stock of this Company, payable August 1, 1953, out of undivided net profits for the year ending June 30, 1953, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business June 26, 1953.

D. C. WILSON, Assistant Treasurer,
120 Broadway, New York 5, N. Y.

**THE PIERCE GOVERNOR COMPANY**

In a meeting of our directors that was held last Thursday, June 4th, a thirty cent (30¢) dividend was declared, payable June 29th to our stockholders of record on June 15th.

*M. W. FLEECE,*
*Secretary-Treasurer*

**THE COLUMBIA GAS SYSTEM, INC.**

The Board of Directors has declared this day the following quarterly dividend:

Common Stock
No. 76, 20¢ per share

payable on August 15, 1953, to holders of record at close of business July 20, 1953.

DALE PARKER
*June 4, 1953* *Secretary*

**Exide BATTERIES**

**THE ELECTRIC STORAGE BATTERY COMPANY**

*211th Consecutive Quarterly Dividend*

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable June 30, 1953, to stockholders of record at the close of business on June 16, 1953. Checks will be mailed.

H. C. ALLAN,
*Secretary and Treasurer*

*Philadelphia, June 5, 1953.*

**GT GENERAL TIME**

**GENERAL TIME CORPORATION**

***Dividends***

The Board of Directors has declared the following dividends:

**PREFERRED STOCK**

Regular quarterly dividend of $1.06¼ per share, on the 4¼ per cent Cumulative Preferred Stock, payable July 1, 1953 to shareholders of record June 19, 1953.

**COMMON STOCK**

A dividend of 50 cents per share on the Common Stock, payable July 1, 1953 to shareholders of record June 19, 1953.

JOHN H. SCHMIDT
*Secretary-Treasurer*

June 3, 1953.

WESTCLOX • BIG BEN
SETH THOMAS
STROMBERG RECORDERS
HAYDON MOTORS

**NATIONAL SHARES CORPORATION**

14 Wall Street, New York

A dividend of fifteen cents (15c) per share has been declared this day on the capital stock of the Corporation payable July 15, 1953 to stockholders of record at the close of business June 30, 1953.

JOSEPH S. STOUT, *Secretary.*

June 8, 1953.

**St. Louis, Rocky Mountain & Pacific Co.**

Raton, New Mexico, June 1, 1953.

COMMON STOCK DIVIDEND No. 114

The above Company has declared a dividend of Fifty Cents per share on the Common Stock of the Company to stockholders of record at the close of business June 15, 1953, payable June 30, 1953. Transfer books will not be closed.

P. L. BONNYMAN, Treasurer.

**PHELPS DODGE CORPORATION**

*The Board of Directors has declared a quarterly dividend of Sixty-five Cents (65¢) per share on the capital stock of this Corporation, payable June 10, 1953 to stockholders of record May 22, 1953.*

M. W. URQUHART,
Treasurer

*May 6, 1953*

**International Minerals & Chemicals**

**Mining and Manufacturing**

Phosphate • Potash • Plant Foods • Chemicals
Industrial Minerals • Amino Products

Dividends were declared by the Board of Directors on May 28, 1953, as follows:

**4% Cumulative Preferred Stock**
**45th Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per Share.**

**$5.00 Par Value Common Stock**
**Regular Quarterly Dividend of Forty Cents (40c) Per Share.**

**Both dividends are payable June 30, 1953, to stockholders of record at the close of business June 19, 1953.**

**Checks will be mailed.**

**Robert P. Resch**
**Vice President and Treasurer**

**INTERNATIONAL MINERALS & CHEMICAL CORPORATION**

**General Offices: 20 North Wacker Drive, Chicago 6**

**SAFEWAY STORES INCORPORATED**

**Common and Preferred Stock Dividends**

**The Board of Directors of Safeway Stores, Incorporated, on June 2, 1953, declared the following quarterly dividends:**

60¢ per share on the $5.00 par value Common Stock.

$1.00 per share on the 4% Preferred Stock.

$1.12½ per share on the 4½% Convertible Preferred Stock.

**Common Stock dividends and dividends on the 4% Preferred Stock and 4½% Convertible Preferred Stock are payable July 1, 1953 to stockholders of record at the close of business June 17, 1953.**

**MILTON L. SELBY,** *Secretary*
*June 2, 1953*

# Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Rep. George Bender, Ohio Republican, a seasoned legislator serving his seventh term in the House, announced that he is going to conduct a thorough inquiry into the operations of the Securities and Exchange Commission.

Mr. Bender is Chairman of the Public Accounts subcommittee of the House Committee on Government Operations. The GO committee, until recently called the Committee on Expenditures in the Executive Departments, may inquire into any of the administrative methods and operational techniques of any Executive agency, to determine whether they are being conducted efficiently and honestly, and in conformance with the law or laws the agency is administering.

**This committee is thus a sort of watchdog of the government's housekeeping. This distinguishes it from a committee which brings down laws or modifications of laws for the Executive agencies to administer. Thus, any substantive change in the laws under which SEC operates would be initiated by the Interstate Commerce Committee of the House or the Banking Committee of the Senate, which have legislative jurisdiction.**

Mr. Bender, however, said that he wants his Public Accounts subcommittee to go into two phases of SEC business.

**First, said Mr. Bender, he wants to inquire into "numerous complaints," he said, that SEC is playing favorites. He hears, Mr. Bender said, that SEC tends to "play favorites with its friends and do things which create a stench against persons unfriendly to the Commission."**

"I am not prejudging these complaints in advance of the investigation," said Mr. Bender, adding, however, that he had heard so very many complaints along this line that he wants to see if there is any basis for them.

He hears, Mr. Bender stated, that the staff of SEC in many cases is interested in harassing persons, in order to get headlines, when there is no basis for the complaints which the staff make against persons subject to such abuse.

"They make the climate healthy for their friends and unhealthy for their personal enemies," said Mr. Bender.

### Explore "Whole Operation"

Second, the Ohio Congressman declared, he wants to go into "the whole operation" of SEC. "Why is it that the whole operation is apparently so slow?" he asked. He said he was interested in knowing why did one member and later the Chairman of the SEC resign and why there has been so much delay in filling their places.

Such a delay, said Mr. Bender, is not conducive to the SEC fulfilling its function—"its only function"—the protection of investors, he added.

**The thing that impresses him most about the SEC, said the Congressman, is its ineptness. Small business, he said, finds it almost impossible to get a risk capital issue approved so it can establish itself in business.**

Mr. Bender indicated some preliminary work already was under way and that it would lead eventually to public hearings. As of this writing, however, the full committee had not been notified of the inquiry plans of the Bender subcommittee.

### Dems Irked on Ike

In connection with the two-threatre drama going on regarding Excess Profits Tax (one stage is the House Ways and Means Committee; the other is the national TV hook-up) this story comes from Democratic sources:

It was the original intention of House Democrats to "bail out" President Eisenhower after a suitable "war of nerves" wait by voting in the Ways and Means Committee to extend the Excess Profits Tax for six months. Democrats thought this would be good strategy, showing that they, not the GOP, saved Ike's tax and budget, and spreading further dissension between conservative Republicans and the White House.

Then with Ike's TV "road show," pouring into homes what a mess the Democratic Administration had left the finances in, the Democrats got sore, and said to heck with President Ike. If EPT is meantime or later voted out, it will be because Democrats have got over their peeve.

### Did Not Pressure NAM

Despite a contrary impression in the press reports, the NAM's Board of Directors did not take a fresh poll on the six-months extension of EPT because they were asked to do so—since they were not asked to do—by Treasury officials.

**Mr. Eisenhower had made such a profound impression on several NAM board members as to the state of Federal finances, that on their own initiative they decided to recheck their stand even prior to the time their "at least neutrality" was implored by the top Treasury brass.**

### Watch "Road Show" Results

Naturally every politically-minded man, woman, and child in the nation's capital is watching eagerly to see whether the TV show will force a majority of the Ways and Means Committee to vote to report out an EPT extension.

If this does or has happened, then there will be little that the conservatives in the ranks of GOP can deny Mr. Eisenhower, for the continuance of EPT is about the most unpopular thing the President could seek.

If Ike wins, then these conservatives see themselves in a very dubious spot indeed. It has been safe for southern Democrats to oppose certain tendencies of Democratic Presidents because such opposition did not threaten, but rather secured or helped secure the re-election of the then anti-White House Democrats.

**There are relatively few "solid North" Republican constituencies, on the other hand. Conservative Republicans can find themselves pilloried for not backing a popular President who seems to be for a balanced budget and tax reduction, and yet defeated in their own constituencies for not voting for tax reduction and against free trade and internationalist programs.**

### Ike to Spend at Peak Truman Rate

There are walking evidences on the streets of this city that President Eisenhower and his Cabinet are in fact making some definite cuts in expenditures. Such evidences are any number of individuals who have lived comfortably on the public payroll on a scale above their fellows in the competitive, private life—but who now have got "RIF" (reduction in force) notices and are desperately looking for some one else to pay them $10,000 or so apiece per annum.

On the other hand, Mr. Eisenhower has officially estimated that his Administration will actually spend $74.1 billions during the fiscal year 1954 (and the new Administration treats 1953, the current year, as beyond its control, as a Truman year, as something they cannot affect).

The current year's expenditures as estimated in January by Mr. Truman will amount to $74.6 billion.

It is noteworthy that not a single Administration presentation to Congressional committees, to the press, or on the radio has used this current year spending figure, for if it were done the contrast would show that Mr. Eisenhower's best guess is that he will spend only $500 million less than in the most expensive Truman postwar year.

**On the other hand, the Administration accepts this current year spending figure of $74.6 billion by implication. If spending were to run at more than Mr. Truman estimated, the Administration would so show to build up its case for the "mess" it inherited in Federal finances. The fact that revenue is now estimated at $1.5 billion less for the current year (and $1.2 billion less for '54), that Mr. Truman's forecast was by these amounts wrong, has been stated on innumerable occasions by the Eisenhower Administration.**

So the net effect of Eisenhower Administration economies so far will be merely to hold Federal spending at approximately the highest postwar year of Truman spending.

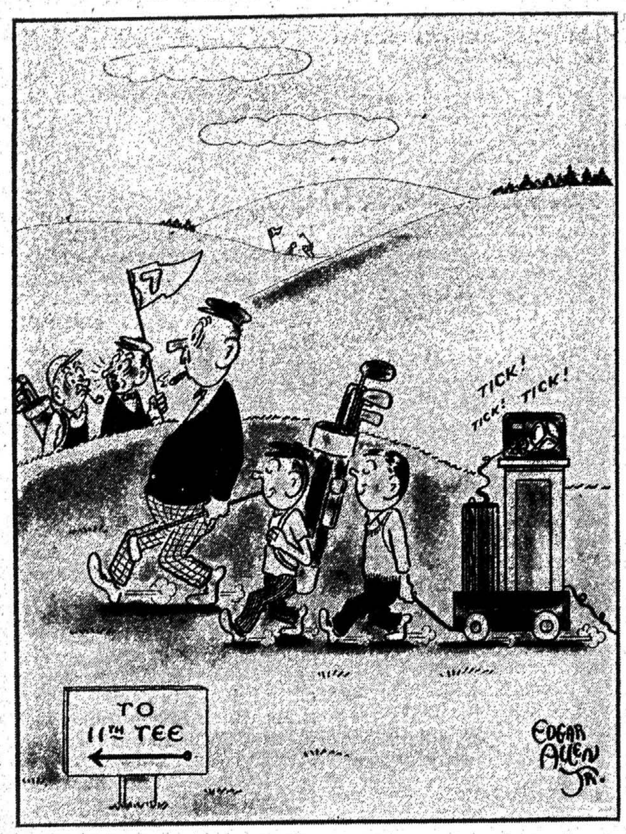
On the other hand, IF the Eisenhower Administration had not made the vigorous attack it has upon extravagance in government, the rate of actual spending might have risen much more than the $4.5 billion that Mr. Eisenhower says he will reduce spending, as compared with Mr. Truman's **projections** for the new fiscal year.

### Truce Opens Drive for Spending Cuts

IF a durable truce appears to be secure in Korea, Congress is very likely to drive for a cut of up to $5 billion in appropriations below the sums desired by Mr. Eisenhower, for it is thought that the difference between an active war in Korea and merely holding troops there is in the neighborhood of $5 billion.

*(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




**"Old P. J. never quite learned how to get away from business!"**



## On Nominating Comm. For American S. E.

The election of James Gilligan, Joseph A. McGarry, Garry Onderdonk and Frederick J. Roth, all regular members of the American Stock Exchange, as Class A members of the Exchange's nominating committee for a term of one year, has been announced by Edward T. McCormick, President of the Exchange.

Arthur J. Conroy of Conroy & Co., John J. Miles, Jr., of Adriance & Finn, and Theodore A. Winter of Wm. P. Hoffman & Co., all partners in exchange member firms, have been elected Class B members of the nominating committee, according to the exchange announcement.

## Business Man's Bookshelf

**Age Structure of the Corporate System, The** — William Leonard Crum — University of California Press, Berkeley 4, Calif.—Cloth—$3.50.

**Aid, Trade & The Tariff**—Howard S. Piquet—Thomas Y. Crowell Company, 2 Fourth Avenue, New York 16, N. Y.—Cloth—$3.75.

**Commodity Year Book: 1953**—Commodity Research Bureau, 82 Beaver Street, New York 5, N. Y.—Cloth—$10.

**How to Raise Cash and Influence Bankers** — Arthur H. Richland — Business Reports, Inc., 1 Main St., Roslyn, N. Y.—Fabrikoid—$12.50.

**New York Laws Affecting Business Corporations:** Revised to April 21, 1953—United States Corporation Company, 160 Broadway, New York 38, N. Y.—Paper—$2.50.

**Price Practices and Price Policies**—Jules Backman—The Ronald Press Company, 15 East 26th Street, New York 10, N. Y.—Cloth—$8.

**Winning in Wall Street**—Ira U. Cobleigh—Dept. 5, David McKay Company, Inc., 225 Park Avenue, New York 17, N. Y.—$2.00.