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EDITORIAL

As We See It

There seems to us to be an important omission in virtually all of the arguments, pro and con about recent Federal Reserve policy. Most of our readers are familiar enough with the claim of those who say that all loanable funds are being pre-empted by private borrowers, and hence there is no way for the Treasury to fill its needs except by having the banks create the funds for the purpose. Any attempt by the Treasury, so they add, to compete in the market for funds can only succeed in pushing interest rates up and up, perhaps to almost catastrophic heights, until private borrowers in considerable numbers leave the market—which, in ordinary times would mean a depression.

Of course, these easy reasoners have not got nearly to the bottom of the matter, as their critics are quick to point out. It is not merely all loanable funds that are being pre-empted, these latter say, but also all of our manpower and other re-

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"Pickeling" Symposium Comments

We present, in today's issue, starting on page 6, 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.

An Inside View of The United Nations

By WILLIAM A. ROBERTSON
Member of New York Bar

Mr. Robertson draws a picture of political and economic conditions in principal member countries of United Nations, particularly those who are or have been members of the Security Council, and concludes the picture is not a reassuring one. Holds Security Council has failed in its purposes and nothing good can be expected of it.

This article gives some description of the political conditions of those countries which are at this time, or within the past six years have been, governors of the world by virtue of their holding seats in the Security Council of the United Nations. In this Council is vested almost all the real authority of UN. It is the upper branch of the United Nations, their Senate, so to speak. So true is this that we may omit from this discussion comment on the lower house, called the General Assembly.

The Security Council

In this Council 11 countries are represented, five of which hold permanent seats, and six others hold seats for only two years at a time. The five permanent seats are held by Great Britain, France, China, Russia and the United States. The six non-permanent countries are chosen by the General Assembly, two every year, thus making rotation in office. The importance of this Council is so great that we ought to know all we can learn about every member, permanent or non-permanent. We commence with the non-permanent members:

Non-Permanent Members of Council Since 1946

The following countries, 23 in all, have sat as world rulers, for a time at least, since 1946:

Argentina, Australia, Belgium, Brazil, Canada, Chile, Colombia, Cuba, Denmark, Ecuador, Egypt, Greece, India, Lebanon, Mexico, Netherlands, Norway, Pakistan, Poland, Syria, Turkey, Ukrainian Republic, Yugoslavia.

We separate these countries into three groups, for convenience, viz: (1) Military Despotisms; (2) New Nations;

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European Situation Today

By ERNEST T. WEIR
Chairman, National Steel Corporation

Describing his impressions of a fifth visit to Europe since end of World War II, prominent steel executive sees widespread hope in Europe for peace, accompanied by feeling that the Western nations cannot continue to spend the vast sums now devoted to defense because they lack both the money and the credit. Lists as important conclusions: (1) we cannot "go it alone"; (2) we must treat our allies as partners; and (3) we should do our part to negotiate with Russia.

In April and May of this year I made my fifth visit to Europe since the end of World War II. The purpose of the trips has been to learn as much as possible about the thinking and attitudes of Europeans on the serious problems that have confronted the world since the cease fire in 1945. In my opinion there can be no hope of a movement toward genuine peace unless there is a mutual understanding between the United States and the nations of Western Europe on the broad objectives to be sought and a mutual agreement on the methods to be followed. Anything less than willing and confident cooperation among these great countries and our own will mean indefinite continuance of the present world tension. Serious cleavage and dissension could lead to world disaster. This statement will serve its purpose if it contributes something to a better understanding of our European partners than exists in the United States today.

Ernest T. Weir

As those who have received statements on earlier trips know, I have developed over a period of many years a rather wide acquaintanceship in Europe—and particularly in England and France. I have been privileged to exchange views on a frank and personal basis with outstanding men in industry, finance, commerce, government and other fields. Because for centuries European countries have been so heavily dependent on foreign

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PICTURES IN THIS ISSUE—Candid shots taken at recent Field Day Outing of the Dallas Security Dealers Association (formerly the Dallas Bond Club) appear on Page 14.

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

Japanese Securities—Jacob Bleibtreu, Senior Partner, Abraham & Co., N. Y. City. (Page 2)

Wisconsin Central Railway (in Reorganization) Common Stock—C. Berkeley Cooke, Jr., Registered Representative, Thomson & McKinnon, New York City. (Page 2)

JACOB BLEIBTREU
Senior Partner, Abraham & Co., New York
Members N. Y. Stock Exchange

Japanese Securities

The "tight little islands" of Japan are becoming daily of greater importance to us. They form our strategic counterpart in the Pacific, both from a military and a trade point of view.


Jacob Bleibtreu

Their military importance must be evident to the merest tyro in matters of warfare. As long as Japan is our friend, as long as we are able to maintain air and fleet bases, and as long as our ground forces have a jumping-off place in Japan, our position in the Pacific is well nigh unassailable. Wars since time immemorial have been decided by mastery of the oceans. It is of no importance whether this mastery is exercised by control on the surface by battleships and cruisers; below the surface by submarines, or in the air. The power which can prohibit to an enemy the use of the ocean lanes will be victorious. This has been true in the case of Sparta, of Napoleon, and of Germany, in both World Wars, etcetera.

I realize that "The Chronicle" is not a military newspaper; it is concerned with business and finance. However, in my opinion, the financial future of Japan is closely interwoven with our political and military interests. Japan is our friend and must remain a friend, therefore, these considerations play an integral part in any evaluation of the future of Japan.

I have recently returned from a five weeks' stay in Japan. It was too short a visit to write a book on it (although a friend of mine is publishing material based on a three-day visit!) but it was sufficient to form opinions.

One of the most outstanding characteristics of the Japanese people, as I see it, is their willingness to follow American ideas of progress, to adopt new methods and to stride upon new paths. In this they differ vastly from most other peoples all over the world, with the possible exception of the Germans. Even in a country as highly developed industrially as England, it is a difficult task to introduce new methods of manufacture and business procedure. In countries like the Arabian states, in India, in most of the Latin countries, and in others, the inertia against making changes is very strong indeed.

In Japan the readiness to accept progressive ideas goes far. There is a spirit of advance in industry, in business, in the sciences, and even in the conception of law, where many changes have taken place, or are to take place, in order to bring the administration of Japanese law into agreement with British and American law. Japan is welcoming technological assistance in many fields of endeavor. Government and private industry, as well as trade organizations, such as the various Stock Exchanges, are sending missions all over the world to discover new methods.

With this spirit of adventuring into new fields goes a willingness to work and to work hard. The Japanese are accustomed to long hours and small pay; the peasant works virtually from break of day until nightfall, and this habit carries over into industry, although it must be admitted that labor unions and a most necessary rise in the living standard have created certain changes. The Japanese is a skillful worker as well. Despite the fact that overpopulation creates a certain amount of wasteful use of manpower, there is no doubt that if well managed and supervised, the work produced can be the equal of that in the most highly developed countries.

Japan still has a cheaper labor market than most of her industrial competitors and with her physical situation, she has been, and will be again, the main provider of manufactured goods for the Far East. Nothing short of war can prevent this development and in our own enlightened self-interest, we must further it, even if the goods go to our temporary enemy, China. This trend will be Japan's natural development; the Eastern countries need the Japanese goods and Japan needs their raw materials.

The New York "Times" on June 15 carried an article on the probability of Japan again becoming the "Arsenal of the East"—a news item from Tokyo states that Japan and the Nationalist Chinese Government in Formosa have signed a trade agreement to exchange machinery, etc. from Japan, against sugar, rice, foodstuff and coal. These are just the beginnings; with peace, or even "near peace," more agreements are bound to follow. We, in the United States, for very potent reasons must further Japanese development in every way possible.

Despite a substantial rise in prices for shares, returns on common stocks are still attractive. Earnings in many cases are very high indeed. Dividends are remitted at the official rate, 360 Yen to the dollar. There is a 10% tax on dividends and coupons, but as this is an allowable deduction from taxes payable here, the Japanese tax is in effect of no importance to the American investor.

However, Japanese investments cannot be recommended as yet to the rank and file. They are today only to be considered for the "sophisticated investor" who is in a position to put a certain sum into Japan and see it frozen. For two years no capital may be returned, and after two years only 20% per annum may be taken back. Thus, total liquidation will require, under present regulations, seven years. In spite of these restrictions, I consider the purchase of Japanese shares attractive for the right kind of buyer. He receives a return at a very fair rate and he has an excellent opportunity, in my opinion, to make substantial capital gains.

There is another point which makes it inadvisable to buy Japanese securities for the small investor, the shares must physically remain in Japan, and there are certain complications in the exercise of rights, etc.

I believe that certain restrictive provisions as to repatriation of funds may be relaxed as time goes on and as the need for preservation of foreign balances is reduced, but there is no assurance when such easing of the situation will come about.

I personally like the following issues, which I believe have possibilities for growth and give fair assurance of continuance of earnings:

Earnings and Dividends (Expressed in Japanese Yen)

(A: Earnings per Share; B: Dividends per share)

Company—	1st Term—1952 Earnings	A	B	2nd Term Earnings	A	B	Stock Price June 10
Honshu Paper	598,638,801	29.9	7.50	515.605,000	25.8	6.25	200
Jujo Paper	896,195,764	44.8	7.50	805,683,000	35.9	7.50	192
Meiji Biscuit & Confectionery	157,831,000	28.9	7.50	259,305,511	37.0	7.50	187
Asahi Breweries	394.025.223	14.9	7.50	*			179
Nippon Breweries	343,956,638	12.4	7.50	*			166
Japan Cement	902,153,060	63.0	15.0	*			378
Asahi Glass	406,511,407	13.6	7.50	*			255
Mitsubishi Elec.	1,447,671,000	51.0	7.50	1.726,261,000	32.6	7.50	135

NOTES—Business Terms: 1st—Apr.-Sept. 2nd—Oct.-Mar. For Honshu Paper, Jujo Paper Meiji, and Mitsubishi Elec.
1st—July-Dec. 2nd—Jan.-June for Asahi and Nippon Breweries, and Asahi Glass.
1st—May-Oct. 2nd—Nov.-Apr. for Japan Cement.
*Not yet published.

C. BERKELEY COOKE. JR.
Registered Representative
Thomson & McKinnon
Members, New York Stock Exchange and Other Leading Exchanges

Wisconsin Central Railway (in reorganization) Common Stock

It is a Wall Street axiom that 99% of all losses in the investment business are due to one thing, FAILURE TO SELL. "Timing" is of the essence and many people do fail to sell at the propitious time, but here is a security you couldn't take a loss on for "failure to sell" because you can get it for nothing!


C. Berkeley Cooke, Jr.

The Wisconsin Central has been in receivership since 1932 — over 22 years of trusteeship—and a plan of reorganization has finally been approved by the I. C. C. and the Court.

For example, let's take the package of new securities planned for the refunding 4s of 1949. Each $1,000 bond will receive:

	Valuation	Proceeds
$150 1st mtge. 4s	80	$120
1,000 income 4½s	60	600
51 cash	--	51
5 shares com.	--	--
		$771
Cur. mkt. price of old bd.		$750

Using the above conservative valuations for the new bonds you actually can receive the 5 shares of new common stock without cost. The estimated earnings for 1953 are approximately $10 per share. On the basis of a 5 times price-earnings ratio you come up with a price of $50 per share for this stock, so you are getting $250

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Meeting Our Military And Economic Problems

By HON. JOSEPH W. MARTIN, JR.*
Speaker of the House of Representatives

Speaker Martin, in a discussion of nation's military and economic problems, defends reductions in air force appropriations, and maintains our air power is becoming greater and better than ever. Points to heavy air force appropriations and contends military airplane production has been below schedule. Says there'll be no tax reductions this year, and points out "cutting down waste and inefficiency in government with 2½ million employees is tremendous task." Reviews international situation particularly with reference to Asia.

The idea that most of our people should be able to make their way in the world is sometimes rejected. Some fall into the mistaken notion that the primary obligation rests upon government, and that through some mysterious process the Federal Government in Washington has unlimited wealth and an unlimited supply of the good things of life to scatter to its people. That is fallacious. Government can aid and should aid its people under certain circumstances, particularly in periods of emergency and distress. But the Government has no more wealth than that which its people put into the Government. The Government can give to a citizen only what it has already taken from that citizen or some other citizen. For every dollar expended by the Government, the people must pay through taxes—directly or indirectly.

Hon. J. W. Martin, Jr.

It is the people—not the Government — who create wealth in the first place. It is the people—not the Government — in whom the control over their own lives must rest. And it is the people—not the Government—who have the power to make their lives rich, full and happy.

By now, most of you young people undoubtedly have formulated a pretty definite plan for the kind of life which will bring you the satisfaction and contentment you deserve. This is as it should be. But I would be less than candid if I did not remind you of one all-important problem that will be with all of us in the years just ahead. I am referring to the struggle to preserve our nation's security.

I do not have to tell you of the Communist menace that is squarely facing the entire free world. The international Communist conspiracy wages its own kind of horrible warfare on every front—military, political, economic, intellectual and spiritual. On all these fronts, the free world must fight back and is fighting back.

The Military Budget

Today I wish to discuss in some detail the military struggle, because it is the particular responsibility of the National Government. Recently there have been headlined complaints that our military defenses were being lowered and that we were inviting attack on our own land. These are serious charges, because if there is one thing the National Government owes the people, it is assurance that they will be safe and secure in their own homes.

Now let us look at the facts.

The first fact is simply that President Eisenhower, who has spent practically his entire adult life in the military service of his country and who commanded air forces during World War II far greater than the world had ever seen, has specifically approved and endorsed the new military program.

When President Eisenhower says we can cut several billion in military spending in order to help bring our budget into balance, that is good enough for me. I know he knows the facts. I know he can be depended upon to fight if necessary for any amount that is needed to guarantee our security. I know he would settle for nothing less than our national security.

Now, let us look at some figures. On June 30 of this year—a little more than a week from now—the Air Force will have at its disposal unexpended appropriations of $28,500,000,000. The budget request of the Eisenhower Administration for the fiscal year starting on July 1, 1954, is $11,700,000,000. This makes a total available to the Air Force in the fiscal year 1954 of $40,200,000,000.

That doesn't look as if we were scuttling the Air Force.

The Air Force's probable expenditure in the fiscal year 1954 will be $15,100,000,000. This will leave an unexpended carry-over on June 30, 1954, of approximately $25 billion—a sum sufficient to cover another year and a half of spending at the same rate.

Again I say, these figures prove that air power, far from being curtailed, is actually being most wholeheartedly supported.

As a matter of fact, the Air Force has received staggering appropriations for a number of years. From the start of the Korean war through the fiscal

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*An address by Speaker Martin at the graduation ceremonies of the Babson Institute of Business Administration, Babson Park, Mass., June 22, 1953.

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America's Contribution To World Disorder

BY RENE LEON
Princeton, N. J.

Picturing nation's postwar record in world economics as a contribution to world disorder, Mr. Leon finds inflation, accompanied by tax evasion and hoarding, prevailing in most war ridden countries. Says, by making gold and dollar currency notes available to tax evaders and hoarders, U. S. abets their illegal operations and helps to undermine their monetary systems. Places estimate of hoarded dollar currency at $9 billions. Suggests calling in U. S. currency and reissuing same in new color and design within specific period, after which old currency is outlawed.

Lend-Lease, Grants-in-Aid, Marshall Plan, Point Four, those are some of the terms in which we Americans think as we review our country's role in recent world economics. And a splendid record it would be were it not marred by our dismal, though generally unsuspected, contribution to world disorder, which began in 1945 when hostilities ended, and which continues to this very day.

Rene Leon

To grasp the nature and the extent of this contribution one should bear in mind that commerce the world over operates on the price system; that this system involves the use of media of exchange in the form of national currencies; that the ravages caused by war brought about great dislocation in the monetary systems of most nations. Imbalance in international accounts, inflation, multiplication of controls of all kinds, the armament race, all these tended to undermine monetary systems and to superinduce flight of capital where capital found an exit, and to hoarding of money where no exit could be found.

The cost of war and, later, of defense expenditures, placed a heavy burden of debt on the peoples of the earth and where people are tax-ridden, tax-evasion usually occurs. Now, like other law breakers, tax evaders seek to leave no trace behind them and, whenever possible, they hide their capital and their earnings in some haven outside the jurisdiction of their authorities or cache them in one way or another. They deposit funds in foreign countries, usually through intermediaries by the device of numbered accounts; they buy gold where and when available, and they amass and hoard foreign currency notes.

While tax evasion robs governments of needed revenue, and hoarding sterilizes capital which otherwise would stimulate trade and create employment, their real harm lies in the social and political implications resulting from the shifting of the tax burden from the shoulders of the well-to-do tax evaders and hoarders onto those of the less fortunate members of their communities. And so, unable or unwilling to collect income taxes, yet obliged to make ends meet if they are to survive, governments increase taxes on consumption and on payrolls. Thus it is that with the onus shifted onto the poor, discontent among them grows and spreads with social and political consequences whose character and virulence are unpredictable. It is in such fertile ground that Communism thrives.

While tax evasion and hoarding have been worldwide, they have been most prevalent in Western Europe with France by far the worst offender. There succeeding governments have practically aided and abetted their growth by compromising with tax evaders and by opening wide the doors to gold and foreign currency hoarding. In Paris the gold bar and coin market as well as the *"Marche parallel"* for foreign currencies are as wide open as any section of the Bourse. There prices are based on quotations from Switzerland, the world center for all gold and currency operations.

The chief instruments of tax evasion and hoarding the world over are gold and the dollar currency note of the United States. To the extent that we make available our currency notes to alien tax evaders and hoarders we aid and abet their illegal operations and help undermine monetary systems already weakened by war and postwar complications. Despite increasing manifestations of the role which tax evasion and hoarding play in the chronic state of economic and political instability of certain nations; despite the fact that Washington's attention has repeatedly been called to the contribution which our inertia was making to world disorder, our Treasury has indulged in none but perfunctory investigations of the problem, and has refused to consider measures dealing with a situation which calls on High for correction. Substantial and increasing premiums for dollar currency notes have been dismissed as denoting scarcity of dollar notes rather than an increasing demand for them. The true significance of the huge and growing foreign currency market in Switzerland was never seriously investigated. The fact that there now are 48 foreign currency dealers in New York carries no weight with our bureaucrats, who are busy dreaming dreams of exchange stability via an International Monetary Fund but remain blind to the erosion of monetary systems taking place under their very eyes. Nor could they account for the persistence of a "Dollar Gap" despite our continued foreign aid. This is the "Dollar Gap," in good part imaginary, which the hard-ridden American taxpayer has been called upon to fill by carrying the burden which alien tax evaders notoriously shed. In the meantime the spread of Communism is confirmed by the returns of the recent French elections which show the Communists now constituting the largest single party in France's Parliament.

The obvious redundancy of our current note circulation does not puzzle experienced exchange men who view it with its background of foreign premiums for our currency—premiums which have ranged from 8% to 35% over "official" rates of exchange these past eight years (Paris premium, June 19, 1953—19%). Anyone familiar with markets knows that the higher the premium, the longer its life, the greater its power of attraction. To underrate or dismiss the power of attraction of high premiums is to blink realities. Competent exchange men here and abroad estimate the present volume of dollar currency notes held abroad at well over $9 billion. They base their estimates on the volume of currency outstanding in 1939 which then amounted to less than $8,000,000,000. They add 20% to that figure by way of taking care of the increase in our population, and a further 100% so as to compensate for the depreciation in the value of our dollar. They thus arrive at a figure of less than $20 billion, not $31 billion, which is the approximate size of our present note circulation. While Treasury "experts" contend that these figures are highly exaggerated, they can furnish none of their own which would disprove them. They are, however, forced to admit that whereas our gold movements are strictly controlled, the movements of dollar currency notes in and out of the United States are unrestricted and unrecorded. Were the Treasury to devote half the time to this problem that they do tracing forged currency notes they would very likely come nearer its solution. Be it noted in passing that the higher the premium on our currency the higher also the premium to the forgers thereof.

The dollar is local currency in the United States and nowhere else. The founders of our country created it for this purpose and for no other. Neither they nor their successors intended to have it used otherwise, least of all to have it abused by aliens as an instrument of tax evasion, as an erosive element in foreign monetary systems, or as the chief medium of exchange for the foreign trade of Red Chinese now engaged in killing American boys in the Far East. And yet these are precisely some of the uses to which our currency is being put today. We strenuously object to other nations trading with the enemy yet we furnish him with the very life blood of his trade. Suggestions offered for dealing with this situation are met by absurd objections "because they might interfere with the value of the dollar." Thus it is that our boys are sacrificed that our Treasury "experts" may continue to hew to a line suited only to normal world conditions. This is criminal negligence—no less.

The world of today is a honeycomb of restrictions, of quotas, of multiple exchange rates and other controls. Under these circumstances we must take such measures as are needed for the protection of our economy and for the defense of those foreign exchequers which we weaken by our failure to differentiate between Dollar Exchange (bank drafts and credits), which should be the sole medium for our foreign trade, and Dollar Currency (Treasury and Federal Reserve notes), which is the purely local medium of exchange of the people of the United States. To do otherwise is to give aid and comfort to tax evaders and hoarders everywhere; it is to facilitate exchange manipulation by such as are interested in creating cost and price differentials rather than to stimulate international trade by legitimate means. Such abuses challenge retaliation in kind and defeat efforts for international cooperation.

If we but recognize that in the fields of money, of prices, of values, psychology plays a role more important perhaps than in all other areas of human activities, we shall find the solution to our problem. We need but impress alien owners of our currency notes with the fact that they possess mere paper the value of which is in the control of the issuer, namely, the Treasury of the United States, who can at will alter or destroy it. We then can call in all currency notes outstanding and replace them by notes of new color or design, declaring valueless all those not turned in before a specified date. The Treasury regulation ordering the exchange should so be worded as to protect innocent laggards. And by way of making certain that the new notes shall not be used, as were the old, for illegal purposes abroad or for hoarding, it is here suggested that Congress pass a resolution requesting the President to exercise the powers vested in him by the "Trading With the Enemy Act" still in vigor (Section 5, Sub-Division B, Title 50, U. S. Code annotated, Pages 204-205) and proclaim that on and after a given date no one will be permitted to bring into the United States more than $25 in U. S. currency notes under penalty of confiscation. Whatever the difficulties of enforcement, the deterrent will always be present.

So long as Dollar Exchange (bank drafts and credit) is made available to anyone, in any quantity, for any lawful purpose, the foregoing proposal does not constitute exchange control. The many here and abroad who traffic in the notes market will not like this proposal, nor will those aliens who acquire our notes for purposes of tax evasion. It will be unpopular with the Red Chinese who will be forced to seek some other exchange medium for their foreign trade. Meantime the value of our dollar will be strengthened by the removal of that factor which increases budgets and taxes to make good a largely imaginary "Dollar Gap." And to the extent that alien accumulation of our currency notes makes for tax evasion abroad, it will strengthen foreign exchequers and foreign currencies, thus permitting us to look ahead to the end of the "give away" program of which the American taxpayer is thoroughly, and justly, sick and tired.

With Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

MADISON, Wis.—Orin McMillan has become affiliated with The Marshall Company of Milwaukee. He was formerly with Ames, Emerich & Co., Inc. and Dayton & Gernon.

Business Man's Bookshelf

American Bureau of Metal Statistics Year Book for 1952—American Bureau of Metal Statistics, 50 Broadway, New York, N. Y.—paper—$3.00.

Canadian Stocks—Stock market service designed to help the investor in Canadian Securities—$1 for next 90 days (regular subscription $50 annually)—Dept. 84, The Canadian Market Analyst, 1410 Stanley Street, Suite 314, Montreal, Canada.

County and City Data Book: 1952—A Statistical Abstract Supplement — U. S. Bureau of the Census—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. — cloth—$4.25.

Our Foreign Aid Programs — Tax Foundation, 30 Rockefeller Plaza, New York 20, N. Y.—paper.

Program for Expanding Jobs and Production — Chamber of Commerce of the United States, Washington 6, D. C.—paper—50c (discount for quantity orders).

Ten Stocks Yielding 9%—Analyzed in current issue of "Ratings & Reports" on machinery, machine tool and office equipment stocks—Sent with $5 introductory offer to new subscribers including four weekly editions of Ratings and Reports, a special situation recommendation, Supervised Account Report, two Fortnightly Letters and four Weekly Supplements (annual subscription $120) —Dept. CF-8, The Value Line Investment Survey, 5 East 44th St., New York 17, N. Y.

Trends in Rural Retailing in Two Illinois Districts 1938 to 1950 —Donald W. Scotton—Bureau of Economic and Business Research, 205 David Kinley Hall, University of Illinois, Urbana, Ill.—paper—single copies on request (quantity prices on request).

World Economic Report 1951-1952 — United Nations, Department of Economic Affairs, New York, N. Y.—paper—$1.50.

The State of Trade and Industry

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

In the period ended on Wednesday of last week over-all industrial output rose above the level of the preceding week and was substantially above that of a year ago when a general steel strike crippled many industries.

Employment continued to hold to near record levels despite local work stoppages in construction industries.

However, following the cancellation by the United States Air Force of Kaiser Motors Corp. contracts on Wednesday of last week, the company gave dismissal notices on Friday to 7,600 aircraft employees.

Layoff of 5,600 hourly rated workers was effective with the shift change that night. In addition, 2,000 salaried employees were given two-week dismissal notices.

On Friday night Kaiser also gave indefinite layoff to 2,200 auto workers as the company switched certain car operations to the Toledo plant of its subsidiary, Willys Motors, Inc.

During the month of June industrial production was holding at 241% of the 1935-39 average, the level of the two preceding months, the Federal Reserve Board estimated. This index figure compares with the post-World War II high of 243% attained in March. The record high was 247% in November, 1943. In June, 1952, when the steel strike crippled industrial activities, output dropped to 204%.

Industrial activity in June wound up the first half at a high rate, the National Association of Purchasing Agents stated in its monthly survey. Production rose sharply early in the month to meet shipping requirements before the start of vacation periods in late June and July. New orders dipped during the month, partly reflecting plant closings for vacations, it added. Advances in steel prices, following wage boosts granted steel workers, have not yet set off another inflationary spiral, this association declared. It stated, it looks for consumer resistance and strong competition to restrain any widespread increase in prices of other commodities.

Although steel producers are clearly gaining in their race with demand, a vigorous boom is still the dominant factor in the market, according to "The Iron Age," national metalworking weekly, the current week. As if to support that contention steel scrap prices continued their upward march with new increases in most areas. Steel scrap prices usually reflect market prospects of the mills.

"The Iron Age" steel scrap composite price advanced for the sixth consecutive week to $43.50 per gross ton, an increase of $1.33 per ton. This composite price is based on average prices of No. 1 Heavy Melting Steel at Pittsburgh, Chicago, and Philadelphia. Prices advanced in all three of these areas this week.

Recent increases have elevated the scrap composite price to within $0.75 of the $44.25 per ton high for the year registered in March. High scrap prices then paced a month of record steel production (10,168,098 net tons) that may stand for a long time.

Prices also advanced on several other iron and steel products during the past week. A number of producers raised pig iron $1.50 per gross ton; other producers are expected to meet the higher price, this trade paper states.

With backlogs of orders still averaging four to five months, steel production will stay as close to 100% of rated capacity as vacations, hot weather, and maintenance needs will permit. These physical limitations may keep operations a shade below the terrific first half pace, even though steel firms still have plenty of business.

But another reason for not pressing production equipment too hard is that consumer pressure is easing somewhat from frenzied levels existing before the wage settlement and price increase. Consumers still want plenty of steel, but they now seem willing and able to wait a reasonable time for delivery, it notes.

Steel inventories are definitely increasing. Defense manufacturers who have been cut back (aircraft producers are an example) have considerable amounts of some alloy steels on hand. A gear supplier strike (Borg-Warner) has slowed output of some auto

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Illusion About Trade-and-Aid

By A. WILFRED MAY

In first-hand survey of Austria's typical debtor economy, Mr. May finds that in case of many important industries even drastic U. S. tariff reduction would not provide export flow sufficient to eliminate payments deficit. Notes continued ERP aid indispensable for modernization and expansion of plant; challenging popular credo that American Aid program is subsidizing protected home manufacturers. Reports sensationally low wages

A. Wilfred May

INNSBRUCK, Austria—Recently at Linz I visited Voest, Austria's largest industrial plant. This is the key unit in the country's nationalized steelmaking, one of its four basic industries. Struck by its modern machinery, turning out 800,000 tons of pig iron per year, I learned that it has been getting ERP money since 1945 to convert the plant from what it was when the United States handed it over to the Austrian Government from the Germans, with "aid" still coming in for modern machinery—adding up to a grand total thus far of $17 million in direct aid, plus the equivalent of $18 million in counterpart funds.

Shipping Costs a Barrier

Voest exports its steel, pig iron, and sheets and plates to 36 countries, but not to the United States. I found that the American tariff rate has nothing at all to do with this, the chief reason being the excessive shipping charge, which would add 20-25% to the cost, it being 700 miles to the nearest Channel port.

The impossibility of exporting to the United States, wholly irrespective of the tariff, here is in line with my findings for many other industries and countries. The current "trade, not aid" slogan, popularizing the credo that if only our selfish business interests would consent to tariff reduction and let foreign goods in, the dollar-short debtor nations would right their balance of payments, and, among other benefits, reduce or entirely eliminate the need for our continuing aid. Although there is much wrong with our tariff machinery, and we have far to go in learning to act as a creditor nation, investigation on this side of the ocean indicates the credo's great over-simplification.

Today I inspected the Salzburger Aluminum Gesellshaft, the leading plant in the important aluminum industry which is also being built up with Marshall Aid—this enterprise to the tune of $1½ million. Here again, despite low labor costs, the great efficiency of American manufacturing makes foreign exports to the U. S. out of the question—wholly apart from tariffs.

A different aspect of the "Trade-Aid" situation is presented by another category of industry, whose managements maintain that a reduction in tariffs would pave the way for competitive exports to the United States. For instance, Otto Worf, General Manager of Linzer Glasshuette, makers of colored optical glass, claims that it is only the American tariff of 50-60% which makes exports to the United States prohibitive. Already successful in overcoming a 30% duty into Germany (despite its own reviving Zeiss) and a 10% impost to the U. K., he claims that a reduction from a 50 to a 25% impost would do the trick for him in the United States.

ERP the Prerequisite for Competitive Export Ability

But, it seems to me, concentrating all attention on a change in this trade policy as a means of reducing *aid*, leaves out major parts of the picture.

The Fuchs Motorenwerker Hallein, also visited, makes motors for bicycles and chassis for autocycles. 80% of the plant's output is exported; to Sweden, Belgium, Holland, Norway, Brazil, Argentina, Mexico, Indonesia—with nothing to the United States whose tariff is 40%—nor to England whose impost (*n. b.*) likewise is 40%.

The management is convinced that it can surmount an American tariff reduced to 12% together with the shipping cost of 18%.

But our crucial point here is, typically, that such trade is made possible only as a result of Marshall Aid, past and future. In the words of this plant's managing director, Herr Franz Fleischmann: "Even with lower tariffs we would need more ERP funds to expand our productive capacity with modern machinery." He gives full credit to the indispensability of Marshall Aid for the building-up of the plant since 1949. At the same time a walk-through view of its various inefficient aspects, as vast wasted space and surplus hand motion, is convincing evidence of the need for the continuation of ample help to compete in the American market.

The company, typically, cannot finance its needed plant expansion from profits, because the margin is kept so narrow as a result of the very low prices required for export orders. Such export business to help the balance of payments is a prerequisite for ERP funds. This is one of many instances of ERP subsidization for the furtherance of competitive export business.

ERP funds have flowed through the widest variety of outlets throughout the economy. Kaprun, the giant hydroelectric power plant still under postwar construction, has been 50% financed by ERP. On the grounds of the Sulzau-Werfen iron works I saw workers' houses newly erected with ERP funds, providing them with apartments for as little as $10 per month rent, or one-sixth of their meager wages. I stopped in new tourist hotels in Salzburg and Linz—ERP built; and here in Innsbruck a large new hostelry is under construction with the regulation ERP-accreditation sign hoisted. ERP mountain-climbing funiculars are used at Bad Gastein and elsewhere—all to further tourist trade.

Since 1945 total U. S. aid to Austria (including the U. S. contribution to UNRRA, Defense Department deliveries of materials, Interim Aid in 1948, and Marshall Plan outlays) has come to $1½ billion; added to which are U. S.-borne direct army occupation costs ranging from $6 to $35 million annually.

The Important Wage Element

In addition to ERP aid, the other major fillip to Austrian exports comes from the extraordinarily low wage rates (and at some points, as in ERP's aforementioned subsidization of low-cost workers' housing, they are interacting).

Voest, Linz steel company (nationalized) gives its lowest paid tionalized) gives its lowest-paid workers only 25 cents (6-7 schillings) per hour; with its most highly-skilled workers and foremen getting a maximum of only 60 cents (12-15 schillings). The work week generally is 48 hours, with a 100% bonus paid for overtime at night, and 50% at other times.

At the Salzburger Aluminum Gesellshaft the minimum wage is $60 per month, and the maximum $108.

At the optical glass factory the lowest pay is $10 per week; with the managing director speaking of $20 for the most highly skilled technicians as if describing a fortune.

At the Salzau Werfen iron works I found that the run of low-paid workers get but 19 cents per hour, or $9.12 per week.

And these are gross, and not net figures; since a deduction is made for income tax and sickness benefits. For example, from the 4

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Tax Aspects and Trends In Executive Compensation

By V. HENRY ROTHSCHILD, II*
Attorney at Law, New York City

Mr. Rothschild, in a meaty discussion of matters determining compensation of executives, along with plans for bringing about an equitable adjustment of executive rewards, considers such problems as: (1) tax objectives of compensation plans; (2) stock option plans, and (3) plans involving deferred compensation. Sees need of legislation to fix status of compensation contracts under tax laws, and suggests representative committees, composed in part of outside interests, be used to review executive compensation practices.

The Case of Jack Vines

A few weeks ago a young engineer—I'll call him Jack Vines—was offered an executive position in his company. Vines was one of a group of engineers engaged in research. Both his work and his personality had attracted the favorable attention of the executive in immediate charge of the department, and over a period of time Vines had been given some administrative duties and in a limited and unofficial way had become the executive's assistant. As a result, when the executive fell ill and was absent for several months, Vines was placed in temporary charge. During this period the department ran smoothly, and in an inconspicuous manner Vines inaugurated one or two measures which improved efficiency. It turned out that the executive whose position Vines was taking would not be able to return to the company and Vines was then asked to take this position on a permanent basis.


V. H. Rothschild, II

After consideration Vines turned down the offer. Needless to say, this was a matter of concern to the company. It was not an easy thing to find a qualified executive for the position, and the company was naturally seeking to find executive talent within its own organization. One of the company's officers called Vines in to talk with him. "Jack, what's all this about your not wanting to run our Avon plant?" he asked, and proceeded to point out that the position paid substantially more than that of a research engineer. He said also that Vines had an important future in the company, with the possibility of eventually becoming a top executive.

Vines explained that he was an engineer by profession, that his research work interested him more than a career as an executive, and that he wanted to devote himself to engineering. He politely but firmly declined the position.

When I heard this story, I did not at first think it particularly important. I thought the company was probably just as well off, for Vines' attitude in rejecting this opportunity indicated that he was probably not of executive caliber in any event. Upon thinking the matter over further, however, the story raised two questions in my mind:

One. The career of an executive was not considered as interesting, as provocative, as stimulating as the career of a research engineer.

Two. The difference in after-tax compensation now and in the future was not sufficiently great to induce Vines to assume executive responsibilities. In other words, Vines' reluctance to give up his engineering work was not overcome by the financial incentives that the company had to offer.

Current Shortage of Top Executives

From the point of view of these two questions, the Jack Vines story is perhaps symptomatic of a problem to which increasing attention is being given. Many of you have seen the results of recent surveys which indicate that a shortage of top executives exists already in some degree, and some of you may even now have experienced or heard of a specific problem in this regard. Whether or not this problem exists for you now, you may have considered the question of your possible successors—where are they to come from and what is to induce them to come? What financial and non-financial incentives can be held out to the coming generation so as to make the career of an executive at least as attractive as other careers? These questions, so serious for our industrial enterprises and for the nation as a whole, are of course closely related to the problem of executive compensation.

With such questions in mind, a number of companies have been reviewing their executive compensation practices. These reviews are occasioned also by the serious inflationary lag that has taken place in executive compensation. I have discussed this point in the past and shall not labor it here. It is an important point, surely, but beyond its importance to present executives it has long-range importance. A continued leveling down in executive pay is scarcely calculated to attract the next generation to the career of an executive as against other careers with equal financial incentives, greater glamour, less responsibility, shorter hours.

Companies which are currently reviewing their executive compensation practices should have in mind the problem of creating incentives for new management and only incidentally the problem of correcting inequities in the case of present management. I have been working with several companies with this dual objective in mind and, in addition, have over the past year studied over 500 plans and contracts of both major corporations and middle-sized and closely-held companies. Obviously, it is impossible here to take up all the many approaches to the problem and I shall endeavor simply to give certain highlights and trends, with a few of my own observations.

Tax Objectives of Current Compensation Plans

As you know, probably the single most important factor in connection with current executive compensation plans has been taxation. It is my own personal view that both too much and too little attention has been given to this factor as against other and equally important factors, such as labor relations, stockholder relations, public relations. Also, tax considerations can, and in several cases have, led to plans that are basically unsound as a matter of policy for the particular companies adopting them.

I do not mean to say that taxation must not be a considered as an important factor. For example, assuming an effective corporate tax rate of 52%, a salary of $50,000 will cost the employing company only $24,000, with the balance of $26,000 representing the amount which the company would otherwise have to pay in Federal income taxes. As corporate tax rates increase, through excess profits taxes or otherwise, compensation paid to corporate employees costs the corporation less, and the corporation has less incentive to keep compensation at a low level. It is of course relatively easy to increase rates of compensation, but it is not so easy to reduce them as and when times may require.

While a substantial part of executive compensation is in effect paid by the Government in high tax periods, the executive

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*An address by Mr. Rothschild before the General Management Conference of the American Management Association, New York City, June 19, 1953. Mr. Rothschild is co-author of "Compensating the Corporate Executive; Pay Contracts With Key Men."

Picketing Symposium Comments

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. Because of the large volume of communications received on the subject, it has been necessary, due to space limitations, to restrict the number of commentaries given in any one issue. The initial results of the symposium appeared in the "Chronicle" of May 28; others in issues of June 4, June 11, June 18 and June 25. Those that can be accommodated in today's issue appear herewith.

DAVID J. McDONALD
President,
United Steelworkers of America,
Pittsburgh, Pa.

I think somewhere there is a moral to be drawn on the question of picketing from the experience in the steel industry. No industry has had a more tumultuous labor history. Until the late 1930's no industry fought unions more vigorously than did the steel industry. No industry tried harder to prevent picket lines.


David J. McDonald

Look at the situation today. I do not maintain that the millenium in collective bargaining has been achieved in steel. We have had our problems and will continue to have them.

But I do suggest that steel managements accept the union as the representative of the majority of their employees and bargain with us on that basis. I do not think that the industry as a whole (there are a few exceptions) harbors the thought that in the event of a strike they could break the union by breaking the strike, and by breaking through our picket lines.

In part this evolution in the steel industry has come about as the result of a broader, more socially responsible conception of the workers' role in industry.

In largest part, however, the change is due to the concrete demonstration that our union is in fact the representative spokesman of the workers in the industry. They know it would do no good to start an old-fashioned, back-to-work movement through a picket line.

Interestingly enough, therefore, the actual picket lines in steel industry strikes in recent years have been nominal. They have been nominal only because there is a recognition that in the background the union has the strength and the right to put a real picket line around the steel plants of the country.

The picketing issue, therefore, shapes up something like this. Picketing is reduced to a minimum because management recognizes sensibly that the union has the loyalty of its members and the resources to use picketing to the maximum.

HON. HOWARD S. MILLER
U. S. Congressman from Kansas

The House Committee on Education and Labor, of which I am a member, has held extensive hearings on all sides of the various phases of the Taft-Hartley Act. The Committee will go into Executive Sessions in the near future to consider amendments to this Act. Be assured that the Committee will make every attempt to bring out a Bill that is fair to labor, management, and especially to the general public.

G. A. WALKER
President,
Farmers & Merchants Bank
of Long Beach, Calif.

Entirely from a layman's point of view, peaceful picketing is undoubtedly a right that should be preserved under that amendment to the Constitution of the United States, which guarantees to the people of our country the right of peaceful assembly.

Picketing, however, has not remained peaceful. Instead, it has involved the use of intimidation and violence against workers desiring to exercise their implied Constitutional right to continue at the work of their choice without hindrance. Such are not the acts of responsible, intelligent and mature trade union leadership. Nor can the utilization of force be condoned in one phase of our society and condemned in another. Certainly, therefore, these acts of intimidation and violence should be subject to injunction, backed by the force of law and the levying of heavy fines against the offending parties.

FRED A. HARTLEY, JR.
Formerly U. S. Congressman from New Jersey
Co-Author of Taft-Hartley Act
Washington, D. C.

I am setting forth my views with regard to the question of picketing.

First—I believe the right to picket is guaranteed under the right of free speech and the right of assembly. However, the right of free speech is not an unlimited right; and the right to assembly guarantees no license for disorder and riot. While I realize it is a difficult task, nevertheless, I would define by Federal and/or State statute what is peaceful picketing.


Fred A. Hartley, Jr.

Second—I would limit pickets to those employed in the place of business that is being picketed.

Third—If the procedures suggested don't succeed in banning mass picketing and violence on the picket line, I would then give any worker who had been kept from his job by mob action the right to sue for the wages lost.

In making these proposals, the labor bosses will shout to the high heavens that I am trying to interfere with their right to strike. I have no such desire. What I am trying to do is to protect what I believe to be an even greater fundamental right, and that is, the right of every American worker to work, to go to his job free from harm, or threat of harm to himself and the members of his family.

In my opinion, mass picket lines when used as a physical force to prevent workers from going to their jobs, or when they obtain the same results by intimidation, violate the right of assembly and free speech. Labor has no more right to resort to strong arm methods and violence than any other segment of our society.

J. M. BUDD

President, Great Northern Ry. Co., St. Paul, Minn.

We are concerned with picketing in its present form because it is not orderly and infringes upon the property rights of the employer and upon the natural rights of the individual to stay at work.

We are deeply concerned with the lack of responsibility on the part of the unions in complying with their half of an agreement. It is not possible to enforce the terms of an agreement with a union by orderly legal procedure and the union enforces its interpretation of a contract by a show of economic strength which manifests itself in strikes.

You are, I am sure, familiar with the fact that the railroads do not come under the Taft-Hartley Act but the fundamentals are the same in dealing with railroad labor as they are in dealing with industrial labor. The railroads being an "essential" industry have had to continue their services under rather trying conditions and have had to accede to the demands of the unions sometimes because of passage of legislation and sometimes because of threat of legislation. Until recently the brotherhoods on the railroads did not give very much support to each other when one craft was striking and other crafts were not. The men refused to fill the jobs of the striking employees but usually stayed on their own jobs. This picture has change and picket lines established by striking unions have been generally respected by non-striking unions so that the above opinion is based on some experience and not entirely on theory.

HON. LOUIS B. HELLER

U. S. Congressman from New York

I note with a great deal of interest your symposium on picketing and related phases of the subject in connection with the question of amending the Taft-Hartley Labor Act.

Louis B. Heller

I adhere to the view that picketing is an essential element in securing human rights. Attacks which are made on peaceful picketing are not only attacks on the keystone of collective bargaining, but they also constitute an assault on freedom of speech. The signs carried by those trying to improve their economic position are their means of informing the public of the existence of an industrial dispute and invoking public support for their cause. If workers are to be restrained from peaceful picketing, the question arises: Where would be their constitutional right of free speech, freedom of the press and freedom of peaceful assembly?

Furthermore, it may be asked: How can barganing in such instances be collective, when the union cannot inform all participants in a given dispute that such a dispute exists?

It is claimed by some that there is an infringement on property rights when strikers picket. I recall that that used to be said about

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Florida—Sunniland for Oil

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

A timely vignette of the scurrying seismic search for pay-dirt petroleum on our most popular peninsula.

Not since Ponce de Leon sought in vain the fountain of eternal youth in 1513, has Florida witnessed such an intense search for fluid fortune, as is being conducted today by prominent petroleum prospectors. The hope of finding oil is the 20th century equivalent of the Spaniard explorers' thirst for gold.

Ira U. Cobleigh

But why Florida? You think of that state as the native habitat of the Temple orange, tarpon, tourist, rhinestone studded sun glasses, cattle that look like midget buffaloes, hotels, motels, annuitants and aquabelles. But not oil! Well you're just not *au courant;* for way back in September, 1943, Humble Oil & Refining Co. brought in an oil well after drilling down over 11,000 feet. This was the start of the Sunniland field 50 miles west of Miami, which has since produced 2¾ million barrels—and a title for this article! From these (you'll pardon the expression) "Humble" beginnings, there have ensued energetic probings over wide sections of Florida's 60,000 square miles, probings given renewed impetus by the bringing in, in January, 1952, of the Pollard field (now 35 wells) just a hoot and a holler North of the Florida line in Escambia County, Alabama.

These two commercially successful fields have clinched the argument that there is oil in Florida, and confirmed earlier beliefs that the geology there is of the same general sort as had proliferated petroleum in Texas and Louisiana. And between the Pollard and Sunniland Field, there is a wide area where other fields might emerge. But Florida rock formations were more difficult to analyze. Until quite recently, probing for Florida oil had been either by guess or by galvanometer or magentic surveys. None of these is as modern or reliable as the seismic survey, which employs the principles of radar. A charge of dynamite is shot off in a hole in the ground, and, at the same instant, a radio signal sent out. The radio waves and the earth tremors are faithfully recorded by portable seismographs, on a photographic paper—sort of like an electro-cardiogram. By comparing depth, distance and velocities of these vibrations, it is possible actually to draw an underground map — and from that map to perceive petroleum prone formations. The seismic survey technique, described in the arid, engineer-type, prose above, is known as secondary refraction, and was importantly developed by Petty Geophysical Co. of San Antonio, Texas, a distinguished leader in seismic exploration. They had not only made certain refinements in technique but apparently have a staff unusually gifted in the application of method, and interpretation of results; so that the hitherto baffling porous, high velocity limestone, native to Florida, can now be quite accurately charted. Petty Geophysical is presently surveying for one of the companies we'll mention later, Commonwealth Oil.

O. K. so there's oil in Florida, though its geology is elusive. What's so wonderful about producing 50,000 barrels a month? Just this. The surface, or rather, the subsurface, hasn't been scratched. Some competent experts have predicted that Florida may be the next great oil field. That there may be some substance to such prophesy is suggested by the imposing roster of oil boom tycoons who have agents on location in Tallahassee; and are creating an ink shortage from all the leases they're signing. Just look at this list of Who's Who in Seminoil! Humble, Gulf, Sinclair, Sun, Amerada, Texas, Socony-Vacuum, Standard of California, plus some smaller entries we'll talk about in a minute.

We mentioned leasing. Where would you start? In the flamingo pond at Hialeah? Obviously not. Three areas have been pretty definitely marked out: (1) the Panhandle section centering around Pensacola; (2) the area on the west coast from the state line south to Sarasota. This is called the Ocala Uplift (a geological term, not a brassiere); and (3) the Southern area including a swath of Everglades, the Tamiami Trail roadsides, and down to Key Largo. Not to mention the offshore oil lands which now belong to Florida as a result of the Truman-to-Eisenhower tideland punt. These run out 10.38 miles from shore. They are not highly valued off the East coast as the Atlantic is deep, and rough for drilling; but on the West they've been snapped up like an Ethel Merman option! Florida has already leased over 8½ million of these tidelands acres: 650,000 from the Alabama line through Gulf County, to Gulf and Commonwealth over 4 million acres to Coastal Carribean from Apalachicola to Naples; and 3,700,000 acres below that, to Commonwealth and Gulf. Altogether, over 20 million acres of Florida land and tideland is under lease to oil optimists; and, depending on proximity to producing fields, the lease rates have soared from as little as 15c an acre, to over $20. If this keeps up, a lot of Brahma cattle are going to lose their home on the range!

Well, what does this all mean to the investor? If he's really an investor, he'd better confine his inquiry to the big shots like Gulf, Continental, Shell, Sinclair, Humble, and Socony-Vacuum, where he can benefit from Florida production, if any, but not get badly burnt if peninsular drilling turns out to be arid or unprofitable. But if you have a lively speculative glint in your eye, and are, by nature, more adventurer than annuitant, then perhaps you'd like to look into some of the independent oil exploration companies which will either sink or swim, depending on the oil they may, in due course, locate and produce.

One of the largest acreage holders in Florida is Coastal Carribean Oils, Inc., its principal properties being the strip of West Florida seashore running for 400 miles mentioned earlier. The recent Tidelands bill has cleared up the actual title to these lands, and placed Coastal Carribean in a favorable position for extensive exploration; and on June 10 it was announced that Standard Oil of California had entered an agreement with Coastal for seismographic surveys on roughly two million of these shoreland acres. But Coastal is not placing its entire hopes on the offshore; it has about 470,000 acres leased (mostly under water, I believe) in the Lake Okeechobe area, where some surveys have already been made. It also has holdings in Key Largo very near a point where Sinclair is now drilling in what appears to be a favorable geologic structure.

Five million eight hundred thousand shares of Coastal Carribean Oils, Ltd. are listed on the American Stock Exchange and selling currently at 4. Working capital appears adequate and there is, I believe, no indebtedness. Because of its land spread, if important oil is located in Florida, Coastal appears situated to benefit from it.

Another company for you to consider, if you are gifted with a wildcatter's nerves, is Commonwealth Oil Company. Although less than two years old, this outfit began picking up oil leases before the strike at Pollard, and has 14,700 acres in Southwestern Alabama and just across the line in Florida; including a quarter interest in 1,600 acres only a mile from the Pollard Field. Next, Commonwealth and Gulf have a development contract covering 110 miles of West Coast tidelands from the Alabama line to the Apalachicola River (about 880,000 acres). Below that, Commonwealth has a batch of acreages in the Key Largo and 40 Mile Bend sections, 50 miles East of the now famous Sunniland field; plus some more real estate near Velda (12 miles above Sunniland). Still further South, there are 3,700,000 acres leased by Gulf in which Commonwealth has an interest.

The basic policy of Commonwealth is of importance to all would-be shareholders. Obviously, it would take a great deal of money to drill over such vast acreages; so Commonwealth (according to its prospectus of Jan. 2, 1953—the only official source document for any and all facts about this company) states that it "follows the procedure of spending its funds primarily for investigation of potential areas where it has leases or other interests, and, if the results are favorable in endeavoring to effect development contracts with major oil companies." As mentioned earlier, Petty Geophysical has been doing the seismic survey work for Commonwealth. On the development side, Sinclair is actually drilling in Key Largo (now down 9,200 feet) under a contract with Commonwealth and in other areas there are development arrangements with Gulf, indicated earlier. And as a final fillip here, Commonwealth has a concession covering 6,000,000 acres in Haiti.

So far Commonwealth has not produced; but with its apparently advanced survey arrangement, its present development agreements with Sinclair, Gulf, Sun and Humble, its sprawling and significant acreages, and some land very near where the oil is commercially oozing, it's an interesting entry.

One million five hundred thousand common shares are outstanding quoted over-the-counter around $4.

The above two exploration equities happen to sell around $4; and just for the record, and without a trace or wisp of comparison, there was a day when Amerada and Texas Land Trust also sold below $5. They appeared remote and starry-eyed speculations at the time.

If you want to examine a few more companies sniffing the sands of Florida for petroleum, Aberdeen Petroleum's holdings there are around 50,000 acres, St. Regis Paper about 300,000 acres (including Alabama), U. S. Sugar over 88,000 acres, and Atlantic Coast Line has quite a hunk of petroleum-possible real estate.

If you think oil speculation in Florida is your dish, then get busy and get the full facts (only touched upon here) from manual, annual report and prospectus. You've gotta be informed if you want to be opulent! Florida may never make the Williston Basin look like a teacup, but 18 exploratory crews now in residence, may find some more places to drill (Humble is now drilling deeply, near Fort Meyer). They might even find another Sunniland in Florida. Ponce de Leon, roll over! You've been dreaming again.

Dealer-Broker Investment Recommendations & Literature

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

Balanced Retirement Program—Booklet—Kidder, Peabody & Co., 10 East 45th Street, New York 17, N. Y. Also available is a booklet entitled **Flexible Profit Sharing vs. Fixed Pensions.**

Canadian Stocks—Stock market service designed to help the investor in Canadian Securities—$1 for next 90 days—(regular subscription $50 annually). Dept. 84, The Canadian Market Analyst, 1410 Stanley Street, Suite 314, Montreal, Canada.

Chemical Industry—Review—Stern, Frank, Meyer & Fox, Union Bank Building, Los Angeles 14, Calif. In the same bulletin is a review of the **Insurance Industry.**

Earnings and Dividend Payments of Major Japanese Cos.—In current issue of "Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Effect of Crude Oil Price Increase—In current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a discussion of an interesting potential in **Estate Planning.**

Electric Utility Commons—Appraisal—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Equipment Trust Certificates—Semi-Annual Appraisal—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9. Pa. Also available are semi-annual appraisals of **City of Philadelphia and Philadelphit School District Bonds.**

Financial Analysis of 30 Oil Companies for 1952—Brochure—Petroleum Department, Chase National Bank of the City of New York, Pine Street, corner of Nassau, New York 15, N. Y.

Investment Suggestions—Bulletin of issues that appear interesting—Eastman, Dillon & Co., 15 Broad Street, New York 5, New York.

New York Banks Since the Banking Holiday—Review—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Out-of-Town Bank Stocks for Pension Funds—Special Survey—Ira Haupt & Co., 111 Broadway, 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.

Ten Stocks Yielding 9%—Analyzed in current issue of "Ratings & Reports" on machinery, machine tool and office equipment stocks—sent with $5 introductory offer to new subscribers including four weekly editions of Ratings & Reports, a special situation recommendation, Supervised Account Report, Two Fortnightly Letters and Four Weekly Supplements (annual subscription $120)—Dept. CF-8, The Value Line Investment Survey, 5 East 44th Street, New York 17, N. Y.

Utilities—Discussion of performance in a business recession—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

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Alleghany Corporation — Circular — Hardy & Co., 30 Broad Street, New York 4, N. Y.

American Broadcasting-Paramount Theatres, Inc.—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y. Also available is a bulletin **Equities for Investment.**

Anderson-Prichard Oil Corp. — Memorandum — Smith, Barney & Co., New York 5, N. Y. Also available are memoranda on **Continental Oil Co., Houston Oil Co.,** and **Republic Natural Gas Co.**

Benguet Consolidated Mining—Bulletin—Seligman, Lubetkin & Co, 30 Pine Street, New York 5, N. Y.

Commonwealth Oil Company — Progress report — Gordon Graves & Co., 30 Broad Street, New York 4, N. Y.

Emhart Manufacturing Co.—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Garrett Corporation — Review — ($2.00 per copy) — John H. Lewis & Co., 63 Wall Street, New York 5, N. Y. Also available (on request) is a bulletin on **Prime Commercial Paper Rates and the Stock Market.**

Giant Portland Cement Co.—Memorandum—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is a memorandum on **National Company.**

Glidden Co.—Analysis—Lober Brothers & Co., 30 Broad Street, New York 4, N. Y.

Jim Wells County, Tex., Road & Bridge Refunding Bonds—Bulletin—Rauscher, Pierce & Co., Inc., Milan Building, San Antonio 5, Texas.

Kellogg Company—Analysis—Security Adjustment Corporation, 16 Court Street, Brooklyn 2, N. Y.

Leese-Neville Company—Analysis—B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

Leece-Neville Co.—Circular — B. W. Pizzini & Co., Inc., 25 Broad Street, New York 4, N. Y.

Omar, Inc.—Memorandum—Glore, Forgan & Co., 135 South La Salle Street, Chicago 3, Ill.

Public Service Electric & Gas Co.—Memorandum—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Reeves-Ely Laboratories, Inc.—Memorandum—H. M. Byllesby & Co., 63 Wall Street, New York 5, N. Y.

Riverside Cement Company—New analysis (Report C-20)—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Salem Brosius, Inc.—Analysis—Graham & Company, 70 Wall Street, New York 5, N. Y.

Scranton Spring Brook Water Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Servel—Analysis—Bregman, Cummings & Co., 100 Broadway, New York 5, N. Y.

Southern Railway—Bulletin—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

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

Weber Waukesha Brewing Co.—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

White Eagle Oil Company—Analysis—First California Company, Incorporated, 300 Montgomery Street, San Francisco 20, Calif. Also available is a bulletin on **California-Pacific Utilities Company,** a suggested $5,000 portfolio yielding 5.6% and a memorandum on **Arizona Public Service Co.**

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

NSTA CONVENTION TRAINS

The schedules for the Special Trains for those attending the 20th annual convention of the National Security Traders Association, Sept. 16-19, 1953, Sun Valley, Idaho, are:

Leaving

Sept. 12	4:00 p.m.	Leave New York	Pennsylvania RR.
	5:20 p.m.	Leave No. Philadelphia	Pennsylvania RR.
Sept. 13	7:20 a.m.	Arrive Chicago	Pennsylvania RR.
	11:50 a.m.	Leave Chicago	Milwaukee Road
	10:00 p.m.	Leave Omaha	Union Pacific RR.
Sept. 14	9:00 a.m.	Arrive Denver	Union Pacific RR.
	7:30 p.m.	Leave Denver	Union Pacific RR.
Sept. 15	9:30 a.m.	Arrive Salt Lake City	Union Pacific RR.
	7:00 p.m.	Leave Salt Lake City	Union Pacific RR.
Sept. 16	7:00 a.m.	Arrive Sun Valley	Union Pacific RR.

Returning

Sept. 20	1:00 a.m.	Leave Sun Valley	Union Pacific RR.
	9:30 a.m.	Arrive Kemmerer, Wyo.	Church Stop
Sept. 21	11:55 a.m.	Leave Omaha	Milwaukee Road
	8:40 p.m.	Arrive Chicago	Milwaukee Road
	11:20 p.m.	Leave Chicago	Pennsylvania RR.
Sept. 22	8:48 a.m.	Arrive Pittsburgh	Pennsylvania RR.
	3:44 p.m.	Arrive No. Philadelphia	Pennsylvania RR.
	5:25 p.m.	Arrive New York	Pennsylvania RR.

The All Expense Tour Cost

From	Two in Bedroom Each	One in Roomette	Two in Dup. Suite Each	Two in Compart. Each	Two in Draw. Rm. Each	Three in Draw. Rm. Each
Chicago	$279.34	$292.54	*	$292.85	$314.16	$286.66
Denver	172.09	179.26	*	Not Available		
New York	400.86	419.12	$431.31	419.26	449.51	411.16
Omaha	225.70	236.13	*	236.60	253.69	231.60
Philadelphia	390.40	408.13	419.92	408.06	437.93	400.41

***Duplex Suite will only be available from New York and Philadelphia to Sun Valley.**

The cost of each tour includes Round Trip Rail and Pullman, Meals on train as specified, occupancy of the Pullmans at Denver and Salt Lake City, Sightseeing and Luncheon in Denver and Salt Lake City, transportation to Boys Town and transfer of individuals and baggage between the train and hotel at Sun Valley. Hotel Rooms on American Plan (two in a room) are also included at Sun Valley. Single occupancy of hotel rooms will be $4 per day additional.

Gratuities are not included.

For Reservations and additional information communicate with James B. Maguire, J. B. Maguire & Co., Inc., Boston, Mass.; Edward H. Welch, Sincere & Co., Chicago, Ill.; Barney Nieman, Carl Marks & Co., New York, N. Y.; Walter F. Saunders, Dominion Securities Corp., New York, N. Y.; William J. McCullen, Hendricks & Eastwood, Inc., Philadelphia, Pa.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Annual Spring Outing of the Security Traders Association of Los Angeles was held at Lake Arrowhead, Calif., June 19-21. Fifty-five members and out-of-town guests enjoyed three days of

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THE MARKET ... AND YOU

By WALLACE STREETE

The final elimination of any hope for a tax cut this year placed an effective barrier across speculative enthusiasm, counter-balancing the earlier FR action in reducing reserve requirements. The net result was a contraction in trading volume which cannot by any means wholly be ascribed to the summer seasonal disinterest. The investor seems to be just plain disgusted. He is the bottom man on the totem pole, supporting everything and everybody, only nobody takes any weight off his shoulders. In this all breeds of politicians seem alike; parties and personalities and issues come and go, but in the mad drive toward the ever-increasing power promised the politician by the socialist state the capital of the investor gets kicked steadily deeper into the bottomless pit.

* * *

Tax Cut Prospects

With any tax improvement for 1953 now denied, the outlook must start to discount the coming year. Tax reforms then are said to be in the works, but relying upon them would be like betting upon the direction of the next jump taken by a grasshopper. Basic conditions in governmental finance next year promise to be little if any different from what they are now, and it will then no longer be possible to pass the deficit buck to the former Administration. It was most noticeable that the steamroller tactics which pushed EPT through did not include any promise that there would be an elimination of this impost as of the year-end. With the coming deficit evidently going to be almost as big as the current imbalance, the arguments for the 1954 continuation of EPT are going to be just about as potent as the present postulations. Only the political environment, with an election coming up, will then be materially different, and it can be hoped this will prove the difference. It is the only hope investors have.

* * *

In these circumstances investors simply have got to do the best they can with their capital. At least the background statistical development continues on a solid base, and while the international tension has lightened, somewhat further progress in this direction reasonably may be anticipated. This combina-

Continued on page 47

Real Situation in Nation's Finances

By W. WALTER WILLIAMS*
Under Secretary of Commerce

After reciting the budget situation and the heavy demand for cash by Treasury to pay for authorizations of expenditures maturing in future years, Under Secretary Williams estimates this outflowing of government funds will reach peak in fiscal 1955. Points out some taxes are due to expire or be reduced before that time, which, if effected, indicate a 1955 budget deficit of $15 to $16 billion. Says to meet situation, government must economize while the national economy must be kept at profitable and high level employment basis. Contends government outlays are being sharply cut, and suggests steps to "brighter tomorrow."

The complications involving world affairs today and involving all of the many complex factors relating to our domestic life, and more particularly our domestic economy, tend to leave us all in some sort of state of confusion. Confusing as our domestic problems seem to be, however, I am going to ask you to direct your attention closely to some facts and figures which I shall undertake to present to you concerning them. From day to day we read snatches in the newspapers and elsewhere of our problems relating to budgets, economies, taxes, borrowings, inflation, and other related matters. I am going to try my level best today to lay before you in as simplified a manner as possible something of what the real situation is concerning the financial affairs of our nation. After so doing, I shall then undertake to establish a connection between this recitation of facts and figures on the one hand, and my topic, "On Making the Luxuries of Today the Necessities of Tomorrow," on the other.


W. Walter Williams

Here then in a somewhat capsule form is a summation of the financial circumstances which confront your government and mine of the United States of America.

The operating deficit for the fiscal year 1952 was approximately $4 billion. The estimated deficit for fiscal '53, that is, the year ending June 30, 1953, was $5.9 billion, according to the estimates of the previous Administration. The estimate for the deficit for fiscal '54, also by the previous Administration, was $9.9 billion. These figures add up to a total of actual (1952) or estimated deficits for the three years 1952, 1953, and 1954, of $19.8 billion.

Bad as these figures are, the situation is actually worse than these figures reflect. The estimates for income for fiscal 1953 were overshot by an amount expected to be about $1.5 billion. Hence, instead of a deficit of $5.9 for fiscal '53 as estimated, it would appear that the actual deficit for fiscal '53 will be closer to $7.5 billion. Indeed, some estimates have indicated that the figure might run somewhat higher than this. Likewise, the estimated income for fiscal '54 was overshot by an amount of approximately $1.2 billion. Thus the estimated deficit for fiscal '54 is not $9.9 as first stated, but $11.1. The sum total of these more-than-likely deficits predicated on the figures of the preceding Administration come to the uncomfortable figure of $22.5 billion.

Still another sharp and rather dismaying fact with which we must deal is that according to the estimates of the previous Administration, there were $81.3 billion of authorizations as of June 30, 1953 for expenditures of government funds for which the cash must be supplied from the revenues of future years. A very large part of this staggering sum is already under contract or commitment. These commitments are mostly for delivery of defense materials, supplies, and services. They cannot be quickly or easily readjusted.

*An address by Secy. Williams before the Municipal Finance Officers Association, Miami, Fla., June 3, 1953.

Peak Treasury Outflow in Fiscal 1955

This heavy outflow of funds points to our reaching a peak during fiscal 1955. But there is something else that happens also during fiscal 1955, which is in the nature of another kind of a peak—this one is reverse direction. On the statute books at the present time, there are tax laws which as presently written are due to expire on certain stated dates. The excess profit tax, for instance, is due to expire under present law, June 30, 1953. The tax law affecting personal incomes is due to expire Dec. 31, 1953. The corporation income tax which has been hiked 5% from 47 to 52% is due to expire, under present legislation, April 1, 1954. Certain excise taxes are likewise due to expire on April 1, 1954. If all of these laws were allowed to expire, as presently written, the impact upon fiscal 1954 is estimated to be about $2.4 billion. The full impact of this loss of revenue would be felt in 1955 with an estimated annual loss of revenue of about $8 billion. This $8 billion is made up of $2 billion from excess profits tax, $3 billion from personal income taxes, $2 billion from corporation tax, and $1 billion from excise taxes.

If all of the tax reduction to which reference has been made were to take effect, it is estimated, under those circumstances, that the fiscal 1955 budget deficit might well reach the staggering figure of $15 or $16 billion. Added to this figure would be the deficits of 1952, '53 and '54, with a sum total in the neighborhood of $37 billion.

Now it is well for us to realize the cold, hard facts that these figures add up squarely to what we are up against as a Nation of 160 million people. Two things must be done first: economies and revisions must be made to the maximum extent possible, consistent with the preservation of our national security; and second, the domestic economy must be kept rolling along a profitable, high-level-of-employment basis.

An outstanding point in this discussion to remember is that no Administration could permit the tax reductions now in the law to take effect if it had any sincere concern about the accumulated effect on the economy of the past and projected deficits under the programs that existed prior to the new Administration. The only reasons that any of these tax reductions can be allowed to take effect is because of the determined and effective efforts already begun to curtail government expenditures by the new Administration. If these deficits were allowed to continue in the amounts planned and authorized by the previous Administration, it would further contribute to the inflationary ravages which have steadily depreciated the purchasing power of the American consumers' dollar.

March Toward Controlled Economy Must Be Stopped

There you have it. In these facts and figures which I have given you, you find a fairly accurate expression, figure-wise, as to what it is that confronts us insofar as our national economy is concerned. Now, there is a great deal of satisfaction, I think, to be derived in the fact that already steps have been taken by the new Administration to help protect the consumer dollar by stabilizing prices, while at the same time, direct controls have been eliminated. It is significant to note that the march toward a controlled economy has been stopped. Requests for new authorizations for government expenditures are being sharply reduced. Actual governmental outlays are also being sharply cut.

I bring you back to the theme of this convention, which your officers have selected—"Economy Through More Efficient Operation." It is essential, of course, that leadership within the present national Administration should have its mind and attention focused on this question of economy. The figures which have been given to you demonstrate only too clearly how imperative it is that the new leadership do this. However, leadership in Washington is not enough. That leadership must be supported by an aroused and understanding citizentry throughout the length and breadth of the land. You men and women of the Municipal Finance Officers Association come from every State in the Union. You come from scores of American towns and cities. You represent the "Main Streets" of America. You, once understanding the tremendous implications of the problem which I have undertaken to outline, are in a tremendously important position, by a process of economic education within your own respective communities, to help America get soundly back on its financial feet again. I earnestly plead with you, thoughtfully and prayerfully, to consider the story of facts and figures which I have undertaken to tell you today in order that you may become vitally important instruments for understanding by the American people as a whole.

In the face of this grim, financial problem, which faces our American Nation, and thus 160 million individual citizens who make up that Nation, how do I get courage enough to caption this address, "On Making the Luxuries of Today the Necessities of Tomorrow?" Not only is it not difficult to establish a connection but, indeed, I believe, the one stems directly from the successful solution of the financial problem posed.

Three Steps Toward Brighter Tomorrow

Three steps suggest themselves as means by which we may help ourselves move forward toward a brighter tomorrow:

(1) The first step looking toward the building of a brighter tomorrow for our American people is to get our national financial house in order. The discussion up to this point in these remarks has suggested the lines which it is essential we follow in order to accomplish this end. To turn away from the path down which we have rapidly been marching toward a more and more controlled economy, toward a truly free economy, will not be altogether easy. Certain segments of our economy, for example, are not too happy in the fact that the Federal Reserve Banking System no longer pegs, or artificially supports the government bond market. As a result of the operations of a free market, without government dictation and support, some of these government bonds are now selling on the free market below par. That is one example of a price we must pay if we are to have a free market. It is highly important for us to realize that there are both bonuses and penalties which attach themselves to the operation of a free market. The national economy will be more vigorous, more dynamic, and more productive as businessmen once again learn how to operate in a truly free economy rather than the semi-controlled one under which we have been operating for so long a time.

As we are endeavoring to get our financial house in order in Washington, it is likewise important that every possible effort be made to get our financial houses in order in the respective state and local governments throughout the country. Furthermore, if these earnest attempts to economize on the national front are to succeed, it will be necessary for folks such as you who are gathered in this room today to help make these proposed cuts in the national budget stick. Unfortunately, we are all built in much the same way in one respect: namely, that we are delighted to have economies made at the other fellow's expense. If we are truly to get our national financial picture in order, then it is incumbent upon all sections of the country to be willing and ready to accept curtailments of Federal governmental expenditures in their own respective areas, not just in the other fellow's backyard.

(2) The second step that is important for us to take is to understand and help support the practical steps which have been taken by the Federal Administration to control inflation. There is presently some difference of opinion as to whether inflation has or has not been brought under control. Relatively speaking, and as compared with previous times, the answer doubtless would be "Yes, it has been brought under control." At the same time when one considers the fact that the total amount of public and private credit has expanded in the last three years from $450 billion to $550 billion, and that the consumer credit has risen $5 billion within the last one year and is presently rising at the rate of $400 million

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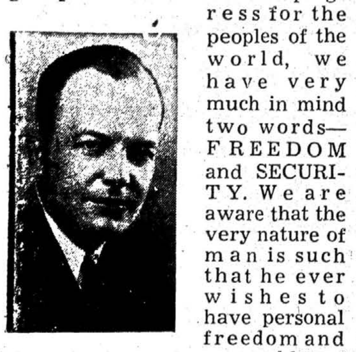
Implementing the Mutual Security Program

By HAROLD E. STASSEN*
Director of Mutual Security

New Director of Mutual Security discusses economic phases of international issues, and points out one of the difficult problems still to be solved is establishment of a sound and durable economic relationship between U. S. and rest of world. Lists as factors in achieving this objective: (1) increase of U. S. private capital investment abroad; (2) increase in U. S. imports; (3) more travel by Americans abroad; (4) purchase of NATO arms and equipment overseas; (5) higher foreign wages; and (6) improved credit facilities to small and new industries abroad.

In the conduct of President Eisenhower's Mutual Security Program, with its objective of a just peace and of economic progress for the peoples of the world, we have very much in mind two words—FREEDOM and SECURITY. We are aware that the very nature of man is such that he ever wishes to have personal freedom and reasonable security for himself and for his loved ones. We know full well that both freedom and security require economic health, military strength, and social justice.



Harold E. Stassen

Thus, we have a very special interest in what happens to the enterprise and to the workers of the nations of the world. Thousands of those workers on the streets of East Berlin on June 17 made a dramatic impact on the thinking of the world. One of them took action which will ever be remembered. As the Red army tanks rumbled down the streets of his home city with machine guns rattling to disperse the protesting workers, he ran out to meet the steel monster and with his bare hands picked up a fallen timber, jammed it into the treads of the vehicle and ran the tank off its tracks. That unknown Berlin worker tore a hole in the Iron Curtain that will never be repaired.

There can be no doubt that a long and difficult course lies ahead before freedom and security can be restored throughout Eastern Europe and peace can be assured around the world. But it is clear that the determination and the courage exists on the part of the workers now within the Iron Curtain to win that freedom, to gain that security.

I am confident that the courage and determination is also present in the peoples of the free nations to follow through in the difficult, and complex, and long steps that will be needed to win a victory for freedom and security without the tragedy of a third world war.

The Economic Phase of the World-Wide Issue

In our discussion this afternoon, let us concentrate especially upon the economic phase of this world-wide issue. The future economic health of the free nations of the world is the essential foundation for progress in better living for the free peoples and it is also the indispensable base for effective military strength to attain security and shield freedom itself.

The economic success of the free nations of the world is closely interlinked. The best course to the improvement and the maintenance of good standards of living in any nation is a course that facilitates economic progress by all free nations.

This broad principle, frequently confirmed in the past half century, is nevertheless difficult to implement. There is an understandable extreme nationalism in the approach to economic questions in every country.

The hope of the future rests with the alert understanding of young men such as those assembled in this convention from many nations.

One of the problems before us, as you realize, is the establishment of a sound and durable economic relationship between the United States and the rest of the world.

Our system of individual economic freedom, our natural resources, our protection from the ravages of recent wars, the industriousness of our people, have combined to establish a very high level of production and strong creditor nation position.

Currently our exports amount to approximately $15 billion per year. Our imports are approximately $10 billion per year. A temporary balance has been established the past year with $5 billion of grants and loans. These grants and loans have been an extremely important and desirable program under the circumstances. But everyone agrees that this is not a sound basis for a long-term relationship for either the giver or recipient.

Bases for Sound Economic Relationship With World

In its place there must be developed a sound economic relationship between the United States and the other nations. It will take time. It will not be easy. But it must be done and it can be done.

This is of special interest to young men of commerce of all nations. They not only can help this needed development take place, but they will also find many opportunities connected with such a development.

Here are some of the factors required in such a development.

(1) A major increase in U. S. private capital investment abroad. This is most likely to take place if the laws of our own and other countries are amended to give direct encouragement to this investment. It will also be facilitated if other countries stimulate the expression of their own private capital and if these individual businessmen present joint proposals for U. S. capital participation.

(2) Some increase in U. S. imports, especially raw materials and other items which best complement and fit in with our domestic economy. This entire subject will be studied by a special commission to be established by this session of our Congress.

(3) Expanded U. S. travel and tourism overseas. This is now a major item for balancing accounts and it can be a much larger factor in the future.

(4) United States purchase overseas of arms and equipment needed by our joint defense forces in NATO and in other parts of the world.

(5) Increased wages in other industrial countries which will expand consumer markets, stimulate production, and facilitate an upward climb of living standards.

(6) Better credit availability in other nations for small and new independent industries and enterprises to facilitate their establishment and their growth.

This is only a partial list, but each of these six points is very important.

I am optimistic that steady progress can be made in evolving a sound economic relationship which will contribute to a steady advance in the living conditions of the free peoples of the world.

Such an advance may well prove to be an irresistible attraction which, added to the inherent love of freedom, will ultimately release the grip of ruthless totalitarian rulers over vast millions of the peoples behind the Iron Curtain.

This is a course which holds promise of peace. It is a humanitarian course. It needs the vigor and vitality, the ingenuity and intelligence, which the members of Junior Chamber International, and the young men of your generation, can give to it.

Meanwhile, let us ever be alert and strong, ready to defend freedom with our lives if need be. Only thus can there be security. Only thus can the prospects of peace be bright.

*An address by Mr. Stassen before the VIII Congress of the Junior Chamber International, San Francisco, Cal., June 21, 1953.

From Washington Ahead of the News

By CARLISLE BARGERON

In the annals of men there have undoubtedly been sillier spectacles than the long fight over the Excess Profits Tax or EPT in the Washington way of alphabetical speaking, but none comes to mind at present. Apparently the Republicans in Congress must devote all their time and energy toward building up the prestige of their President, a man who was heavily endowed with it when he was elected to the office and who personally doesn't seem to be worried about it now. But it is a source of constant concern to his intimates and to the group of editors who conceive it to be their solemn duty to nurse, protect and guide him through the political rough seas upon which he has embarked.

Carlisle Bargeron

This is just about the third time that Republican leaders in Congress have been made to look ridiculous by this nonsense and in this instance they were just about to wreck the machinery of the House of Representatives.

Early in the new Administration, Chairman John Taber of the House Appropriations Committee, knocked out the appropriation for the President's Economic Council. Nobody at the White House objected. But the protecting editors immediately began shouting that Taber had kicked the new President in the teeth. The assistant President, Sherman Adams, became excited and got in touch with Taber. Taber assured him there was no intention of offending or hamstringing the President but the purpose was to get rid of the Truman crowd and clear the decks for Eisenhower to put in his own choices. However, the protecting editors had spread the impression that it was an affront to the new President so the appropriation was restored. The result is that Eisenhower has succeeded in reorganizing the council but it will be a long time before he gets rid of a lot of the New Deal subordinates and they are the fellows who do the spade work upon which the high level conclusions are based.

Another instance concerned the renewal of the authority of the President to reorganize government departments. The Republican leaders discussed the matter with the President and it was agreed to tighten up the veto power which Congress can exercise over any reorganization order. Eisenhower fully agreed that the authority proposed by the leaders was sufficient. But the protecting editors again howled that the Republicans in Congress were hamstringing the new Chief Executive. So, rather than let the impression go out that they were not working in complete harmony with the chief, the old reorganization act was renewed.

It is with the same sort of silliness that the fight over the EPT arose and has continued.

In the initial stages, the President's Secretary of the Treasury, George M. Humphrey, didn't want the EPT to expire either June 30 or Dec. 31. He wanted no talk about tax reduction at this time or insofar as he could see it in the distant future. The redoubtable Dan Reed therefore won half of his fight when the President in his first specific utterance on this particular tax asked that it be extended only for six months.

This put the President on untenable ground and from then on it became the job of the House Republican leaders to fight to uphold his prestige on the ground on which he stood. The need for the revenue had little or nothing to do with it because only $500,000,000 was involved in a budget for the 1954 fiscal year, beginning Wednesday, of $74 billion. The figure of $800,000,000 as the revenue to be derived from extending EPT six months was widely propagandized but actually, according to the experts, it amounted to only $500,000,000.

Secretary Humphrey in asking for the six months' extension said the tax was reprehensible, unfair, vicious and about every other mean term that could be applied to it. But he wanted such a tax continued for another six months because of the need for revenue. The Republicans, instead of reducing taxes as they had promised, would be increasing taxes, because the Democrats had provided that this "vicious" tax was to expire June 30.

The Administration and the House leaders sought to justify their determination for extension on the grounds that if this was not done, the members of the House would get out of control and vote a reduction of income taxes which are supposed to be automatically reduced Dec. 31. This might have given trouble two months ago. With the tight rule over the House which the House Rules Committee exercises it could not possibly cause any trouble this late in the session.

Then, seeking further arguments to justify their stand, the Administration and the House leaders professed worry over what political capital the CIO would make over the elimination of the Excess Profits Tax with no reduction in income taxes. In the first place, it was not a case of the Republicans reducing any taxes; they would simply have had to let them die as the Democrats provided. And secondly, it is a bad sign when Republican leaders begin to look over their shoulders at the CIO.

The likelihood is that enough members of the House Ways and Means Committee have now been swung over to the support of an EPT extension and if this is the case they will outvote Chairman Reed at the next meeting of the committee scheduled for July 8. This is something they could have done at any time had they favored the extension. The nonsense about Reed not letting them vote was just that.

And while opinions differ, the evidence is that the reason the House leaders did not go through with their attempt to take the matter away from Ways and Means is that they didn't have the votes with which to do it. Far more damage than good would have been done had they gone through with their plan and succeeded, and all for the mania on the part of certain editors that the prestige of the President must be built up, when he personally is not concerned about it.

Regulatory Outlook For Transportation

By HON. JOHN W. BRICKER*

U. S. Senator from Ohio

Sen. Bricker reveals work of Senate Interstate and Foreign Commerce Committee investigating transportation problems and revamping program of transportation regulation. Says Federal regulation has discriminated against carriers rendering a general transportation service, and such policy, which weakens the financial condition of common carriers, is basically unsound. Scores delays in deciding rate cases, and says long-and-short-haul clause in Interstate Commerce Act is no longer needed. Criticizes state regulations.

The mere fact that I am a member of the Senate Interstate and Foreign Commerce Committee does not qualify me as a transportation expert. On the contrary, I find myself today in the not unusual position of facing a group whose knowledge of transportation is a great deal more complete than my own. My appearance here today can be justified only on the ground that the non-specialist, the non-expert, can make some contribution to the understanding of a field so complex as our national transportation system.

John W. Bricker

The transportation specialist frequently finds his view of the public interest in transportation obscured by the narrow range of his own responsibility. I do not say this critically. We would be less than realistic if we expected the operator to be more concerned with the broad public interest than with his own volume of traffic. Notwithstanding the broad public interest, that operator would not remain in business very long.

The same narrow range of vision handicaps public regulatory officials. Regulation of transportation has become increasingly complex. Regulation, as a result, has become departmentalized, with separate divisions for types of transportation and types of carriers and a high degree of specialization within the various divisions. The best of administrators does well to keep abreast of the problems in his own bailiwick, without surveying the entire field.

The Congress, on the other hand, has the overall responsibility of establishing the regulatory pattern for transportation and for supervising the activities of its regulatory agents. To discharge this responsibility properly, Congress must, from time to time, study the field of transportation in its broadest possible perspective.

Unfortunately, demands on the time of Congress have often made impossible a comprehensive study of Federal regulation of transportation. Congress has met individual problems as they arose, giving, I fear, little attention to the impact of piecemeal legislation on the pattern of Federal regulation as a whole.

However, in 1949, the Senate adopted Senate Resolution 50, authorizing the Interstate and Foreign Commerce Committee to make a comprehensive investigation of transportation problems. The subcommittee on Domestic Land and Water Transportation, on which I served, held executive and public hearings over a period of two years.

*An address by Senator Bricker before the Sixth Annual Convention, National Federation of Financial Analysts Societies, Philadelphia, Pa.

On the basis of these hearings, Senator Herbert O'Conor and I presented a Progress Report to the Senate, identified as Senate Report No. 1039 of the 82nd Congress. The report has been given wide circulation. As I had hoped, the conclusions and recommendations in the report stimulated considerable controversy and discussion.

The Progress Report did not include a draft of specific legislation to carry out its recommendations. More than 25 bills based on those recommendations were introduced in the 82nd Congress, but Committee action on those bills was not completed prior to adjournment. Most of those bills have been, or will be reintroduced in the present Congress. I am hopeful that the Interstate and Foreign Commerce Committee will report some of these measures and that the Senate will act on them in this session.

I am not discouraged by the lack of legislation as a result of the hearings in 1950 and last year. Correction of the most obvious regulatory inequities takes time. All laws acquire a certain rigidity the minute they are placed on the statute books. Conditions that give birth to a law may have long ceased to exist, but groups which have relied on its perpetuation cannot be ignored. This is particularly true in the transportation field where so much of the regulation is based on monopoly conditions which competition has erased. Sooner or later, however, Congress will have to revise its regulatory policies in the light of competitive realities. In my judgment, the Committee has made substantial progress toward the goal of fair and impartial regulation.

Failure in Transportation Policy

Generally speaking, our committee has found that both Congress and the Executive Branch have failed to observe the declared statement of national transportation policy. This excellent statement of policy calls for fair and impartial regulation of all modes of domestic land and water transportation so as to preserve the inherent advantages of each. If I may consciously oversimplify, almost all the ills peculiar to the transportation industry stem from the failure of government to formulate and execute regulatory policies and promotional activities in accordance with the spirit of its own declaration of transportation policy.

Perhaps the most alarming fact is the extent to which Federal regulation has discriminated against carriers which render a general transportation service. A regulatory policy which operates to weaken the financial condition of common carriers is basically unsound. For example, common carriers have experienced intolerable delays in obtaining general rate increases to compensate for increased costs of operations. Final decisions in four railroad freight increase cases since World War II required an average of 346 days to process. A price increase in railroad materials becomes effective at once. Increased wages of railroad employees are generally retroactive. It is little wonder that railroads have not shared in the the general postwar prosperity, or that they find it difficult to attract equity capital.

To eliminate the unreasonable time lag in common carrier rate adjustments, S. 1461 was recently introduced by Senator Johnson of Colorado for himself, Senator Capehart, and myself. The bill directs the Interstate Commerce Commission to act within 60 days on a petition for a general increase in rates to offset increased costs of operations, with any increase granted being subject to adjustment after further investigation by the Commission. In general, S. 1461 follows the recommendations made in Senate Report 1039 and in the recent report of the Transportation Association of America.

Federal regulation has placed most common carriers at a heavy disadvantage in competing with their less closely regulated competitors. To carry out the original intent of Congress, Senate Report 1039 recommended that contract motor and water carriers be required to disclose the rates they actually charge, and that the agricultural commodities exemption should be limited to carriage from the farm to the primary market. Similar recommendations are made in the report of the Transportation Association of America.

A number of regulatory inequities exist because a transportation monopoly which might have justified the regulation originally has been eliminated by competition. For example, the long-and-short-haul clause applies to rail and water carriers, but not to motor carriers. The so-called commodities clause applies to railroads, but not to motor carriers or water carriers. These prohibitions should be repealed or made applicable to competing modes of transportation to the extent that any need for such regulation still exists.

State regulation of abandonment of service has contributed to the financial ill-health of many railroads. The reluctance of State commissions to authorize abandonment of unprofitable branch lines has placed an obvious burden on interstate commerce. Both the Progress Report of our subcommittee and the report of the Transportation Association of America recommend that the Interstate Commerce Commission be empowered to review adverse decisions of State authorities on abandonment of unprofitable service. S. 281, introduced by Senator Tobey by request, provides for such review by the Commission.

Our Basic Transportation Problem

As you know, the problem of Federal regulation is only one part of the transportation problem. Our basic problem is to maintain transportation businesses as healthy, private enterprises. However, it is not the function of government to underwrite the solvency of any segment of the transportation industry. This apparent contradiction is the crux of the transportation problem.

The poor financial condition of any transportation group is the concern of the Federal government only when such financial weakness results from government action. If regulation were fair and impartial, if taxes were not so high as to discourage private investment, and if the government's promotional activities did not give certain carriers an unfair competitive advantage, we would not be concerned today with distortions in the transportation picture. We could be sure that the inherent advantages of various modes of transportation were being determined by consumer preferences and reflected in their competitive positions. Such is not the case today. Federal taxation is at a confiscatory level. Regulation of transportation is not impartial. Promotional activities are discriminatory. So long as these conditions exist, Congress must be concerned with the future of all forms of transportation for it can never be sure that the weakest link is not in fact the most essential.

The economic planner will say that the Nation's transportation network is too vital militarily to be molded by the blind forces of competition. We should shout from the house tops that competition is blind for the same reason that the figure of Justice wears a blindfold. The blindfold does not connote caprice, but rather that the dispensation of justice is impersonal. In the same way, competition is "blind." The production, distribution, and sale of goods are determined by the impersonal forces of competition. Which is but another way of saying that a competitive economic system is directed by the voice of consumers and investors expressed daily in the marketplace rather than by the decisions of a few government officials.

When government formulates transportation policy with a view toward creating what it deems to be an ideal or a well-balanced transportation plant, grave dangers are likely to result. No man or group of men is endowed with the wisdom to judge how many miles of railway or how many thousands of trucks will be required 10 years from now to meet the Nation's military and civilian needs. Had that economic philosophy prevailed in the past the United States might still be riding on wagon wheels. If consumer preferences decree that we shall have half as many trains or twice as many trucks, or vice versa, I shall not object. Insofar as defense requirements are concerned, we have always supported the military on an industrial base developed for the most part by a system of free, competitive enterprise. The results of the past more than justify our faith in the same policy for the future.

Consumer Debt: Too Little or Too Much?

By BASIL A. WAPENSKY*

Trade Economist, Federal Reserve Bank, Atlanta, Ga.

Economist discusses recent changes in consumer credit and lists suspension of Regulation W as one of factors contributing to its rapid rise. Says present level of consumer credit, according to several standards, does not appear to be excessive, but "the distribution of income and liquid assets as related to debt reveals yawning gaps and potential trouble makers."

During the past 12 months, many retailers, bankers, and economists among others have devoted a good bit of time to the theme of consumer credit. A flood of articles on consumer credit has appeared in the press during the five months of 1953. In the Federal Reserve alone, six of the 12 regional banks, including the Atlanta bank, have devoted space to consumer credit analyses in their "Monthly Reviews," and Mr. Copes, in his wire, asked me to "discuss the critical situation concerning credit today." Clearly, something seems to be brewing.

Basil A. Wapensky

Before the brew gets too thick, I want to make it clear at the outset that the views expressed do not necessarily reflect those of the Federal Reserve Bank of Atlanta.

Before going into an analysis of the present level of consumer debt and its implications for the future, I'd like to make certain that we all have the same thing in mind when the words "consumer credit" are bantered around. The Board of Governors of the Federal Reserve System defines it as "credit used to finance the purchase of commodities and services for personal consumption or to refinance debts originally incurred for such purposes." And credit itself refers to an advance of funds to buy goods and services or an advance of goods and services in exchange for a promise to pay at a later date.

Recent Changes in Consumer Credit

Why are you concerned about consumer credit today? Obviously, you want to know whether I and the thousands of customers who buy on credit at your stores can continue to meet the monthly payments and eventually liquidate their debts. Secondly, you want to increase sales and profits, and one way to do this is by attracting customers through easy credit terms. This, of course, assumes they are willing to borrow and go further into debt. Actually, you're faced with a dilemma; on the one hand is your desire for more business via credit terms, and on the other, your fear that the customer may not be able to pay.

But there is also a broader implication, national in scope. In the event of a downturn in business activity, consumer debts can speed up the decline. With a reduction in business activity, employment and income will fall off and correspondingly increase the burden on the family budget. The need to make payments on their debts, in turn reduces the amount of buying that can be done by consumers out of current incomes. Thus, consumer credit aggravates the decline in business activity. Similarly, it adds "fuel to the fire" in a period of inflation.

But let's look at the record for the facts and the setting for this discussion. What has happened to consumer credit? This chart [not available—Ed.] shows the trend of outstanding consumer credit from 1945 to date. The advance was rapid and steady from 1945 through 1950. The sharp increase in 1950, of course, is attributable to the wave of fear buying following the start of the Korean War. Regulation W was clamped on in the fall of 1950. In 1951, for the first time since 1945, outstandings virtually stopped growing. Early in May 1952, controls were tossed aside. As a result, from April through December, outstandings jumped $4.8 billion to a total of $25.7 billion, an all-time record.

Notice also that instalment credit held the spotlight as either the hero or culprit of this act—depending upon your viewpoint. As a matter of fact, of the $4.8 billion increase in total consumer credit, $3,908 or 81% was in the form of instalment credit. Instalment credit outstanding is by far the most important segment of total consumer credit, accounting for three-fourths of the total. This is not to say that charge accounts, single payment loans, and service credit did not increase. Gains in these items, however, were negligible.

For the year, the increase in consumer credit was also $4.8 billion. This was the largest January-to-December dollar increase ever chalked up, even exceeding that of 1950.

You can see a small seasonal decline, in the first two months of this year caused principally by charge account credit. Instalment credit, however, has continued to move up although at a much slower pace.

Although the obvious conclusion about this unprecedented rise is that it is inflationary, the expansion in consumer credit also bolstered sales. Personal consumption expenditures climbed $11.5 billion from the last quarter of 1951 to the same period in 1952. Since consumer credit increased $4.8 billion during 1952, it would appear that credit accounted for 42% of the increase in spending.

Just about all retailers who sell on instalment terms did a booming business after the death of credit controls. Most of the rise in debts, however, was due to automobile credit which rose by almost $2 billion, from the end of April to the end of December. Instalment credit for purchases of refrigerators, radios, and television sets and the like advanced $1.2 billion. Automobile credit has continued to rise in 1953; credit for other consumer goods, on the other hand, has declined moderately.

The course of events in automobile and other major consumer sales will determine largely the future trend of consumer credit. Together, these two items account for over 70% of instalment credit and over 50% of total consumer credit outstanding.

Factors Contributing to The Rapid Rise

If we want to test our crystal-gazing skill as to the path consumer credit will tread in the future, it's necessary to look at the forces contributing to the rise in the past year. It may well be that they were peculiar to that time and, after having exhausted their energy, would not likely influence the future trend.

I think there were several rather obvious forces at work. First, suspension of Regulation W on May 7 appears to have sparkplugged consumer credit buying. Controls affecting down payments and maturities, as you know all too well, were imposed in the fall of 1950. From September 1950 until April 1952—an interval of 20 — the period in which the controls were active, total consumer credit outstanding increased a mere $800 million; in the nine months ending December 1952, it climbed six times as fast.

With the end of controls, down payments were lowered and maturities were lengthened. A recent survey of a selected group of department and furniture stores in the Sixth Federal Reserve District showed that you can now buy a television set for nothing down and up to 24 months to pay at a number of retail outlets. Practically all stores surveyed indicated that they were requiring less down and were allowing more time to pay than under Regulation W.

Easing of terms, has of itself, contributed to the expansion in consumer credit. Assuming that credit terms today are as liberal as they were in 1950 before Regulation W, it is estimated that this fact alone would account for between a third and a half of the $4 billion increase in instalment credit outstanding. The remainder is attributable to a wider use of credit in the consumer market. To illustrate, in 1952, probably six out of 10 new automobiles purchased were bought on credit compared to five out of 10 in 1949. A similar though less striking, rise in the use of credit occurred in the major household goods lines.

Tied in directly with the more extensive use of credit, of course, is the fact that some consumers had postponed their purchase during the period of credit restrictions and with the death of controls hurried to make up for the lost weekend so to speak. Still another factor, and an important one, was the increasing availability of all kinds of goods.

Is Consumer Credit Too High?

We now get down to the crux of the matter. In the foregoing, I briefly sketched in the growth of consumer credit and commented on the chief factors propelling it upward. In a little book entitled, "Anything Can Happen," a Russian immigrant with an unquenchable appetite said that "only too much is ever enough for me." I think this points up the problem. Have we gone today beyond the "enough" stage in extending consumer credit?

The question naturally implies that there are some criteria for judging the "right" amount of consumer credit outstanding. One of the measuring rods commonly used is the relationship of debt to personal income after taxes. This is shown on the chart with consumer credit as a percent of personal disposable income.

The ratio gradually rose from 4% at the end of World War II to 11% today. The highest prewar ratio of 11% occurred in 1940. The theory goes that since the current relationship is no higher than that established in the prewar period, there is no real and present danger.

This is purely a matter of historical comparision and as such it gives a superficial picture. Debt has risen, but so has income; consequently, the consumer's relative position has not changed appreciably. He can carry the larger debt with no more strain than he shouldered in 1939.

The fact that about half of the nation's families have no consumer debt whatsoever, however, indicates the limitation of this yardstick. The incomes and liquid resources of these families will not be used to pay any part of the outstanding debt. Moreover, the debt it heavily concentrated in the hands of the middle income groups. According to the Federal Reserve Survey on Consumer Finances, families with incomes before taxes ranging from $3,000 to $7,500 held 65% of the outstanding consumer debt early in 1952. Yet they received only 60% of the income.

Since three-fourths of the middle income families, according to a 1949 survey on family expenditures, spent over 70% of their incomes for food, clothing, shelter and other closely related items, it is clear that not much is left over for servicing consumer debt. Actually, some consumers are having trouble meeting the periodic payments. We found that delinquency is on the rise at Sixth District department and furniture stores. Merchants are pushing accounts harder and are starting the collection process earlier than previously. Trade and press reports give the impression that a similar situation exists generally throughout the country.

Another widely applied standard for measuring whether or not consumer credit is excessive is the relationship between debt and liquid assets. Liquid assets are resources which can be converted readily into cash. They include currency, demand and time deposits, insurance equities, U. S. Government securities, and corporate securities among other things. During 1952, asset holdings increased by $15 billion to a total of around $500 billion, according to estimates by the Securities and Exchange Commission. The increase in 1952 was greater than in any year since the end of the second World War. Thus, with liquid assets about 20 times greater than consumer debt outstanding, it would appear that there is no need for concern.

This guide, however, also has an important deficiency. Again, according to the Survey of Consumer Finances, there is undoubtedly a heavy concentration in the high income groups. The Survey showed that at the start of 1952, the spending units in the top fifth of the income bracket held 50% of the liquid assets.

Conclusion

Consumer credit has played an important role in the developments of the past few years. As noted earlier, a significant portion of the 1952 increase in personal consumption expenditures was probably dependent on the availability and use of consumer credit. The level today, according to the standards cited, does not appear to be excessive, at least on the surface. But the distribution of income and liquid assets as related to debt reveals yawning gaps and potential trouble makers. Any reduction in income could create a distinctly unfavorable situation. Since this is a real possibility in the not too distant future, I for one, cannot feel complacent about the current level of consumer credit.

In closing I'd like to quote from an article in the March issue of the "Monthly Review" of my shop. "Although to the individual borrower and lender, it is the level of the debt and the difficulty of repayment that creates the problem, to the economy it is the possibility of a change in the rate of growth of the debt that seems to be most important. Because of the importance of growing consumer credit in sustaining the present rise in personal consumption expenditures, any change in the rate of growth of consumer credit might well have a pronounced effect upon the economy. The problem reduces to this: It is scarcely conceivable that consumer credit can continue to grow at its present rate, but any substantial decline in that rate will be a depressing factor in maintaining the current rate of consumption."

*An address by Mr. Wapensky before the 33rd Annual Convention of the Controllers' Congress of the National Retail Dry Goods Association, New Orleans, La.

J. M. Reddoch Forms Own Firm in Memphis

J. M. Reddoch

MEMPHIS, Tenn. — James M. Reddoch has formed James M. Reddoch & Co. with offices in the Sterick Building. Mr. Reddoch was formerly Vice-President of Meeks, Reddoch & Co.

With Paine, Webber

CHICAGO, Ill.—Paine, Webber, Jackson & Curtis, 209 South La Salle Street, announce that Robert L. DuGene has become associated with them in their Chicago office. Mr. DuGene was formerly with Blunt Ellis & Simmons.

Economically Feasible Atomic Power Can Be Achieved

By GORDON DEAN*

Formerly Chairman, U. S. Atomic Energy Commission

Retiring Atomic Energy Commission head says only doubt that exists as to economically feasible power from the atom is "when" and "how" it can be used. Tells of a reactor that can create fissionable material out of common form of uranium, and thus an atomic plant can "breed" its own fuel. Points out this development gives promise of making civilian atomic power industry more attractive than has hitherto appeared. Discusses problems involved in private development of atomic power.

As I am sure all of you here well know, the atomic energy program at present is one of the largest single consumers of electric energy in the United States. As you also know, it is one of the main objectives of the Atomic Energy Commission and of such foresighted industrial leaders as Mr. Cisler [Detroit Edison Co.] to reverse this situation. One of the more important questions of our time, as a matter of fact, is just how our progress toward this worthy goal might be speeded.

Gordon Dean

There seems to be no doubt that economically feasible power from the atom can be achieved. The only doubt that exists has to do with such questions as "when" and "how." And the "how" has more to do with policy than it does with technology. The scientists and technicians have some clear ideas as to what needs to be done. But the policy makers have not yet laid down the ground rules under which it will be done.

In a very real sense, therefore, we are at a crossroads in the matter of atomic power policy. I think it might be helpful, as background, to mention just a few of the technical milestones we have passed in arriving at this crossroads.

First, of course, was the initial successful operation of a nuclear chain reactor. This was accomplished on Dec. 2, 1942, by Enrico Fermi and his staff at the Metallurgical Laboratory at the University of Chicago. This experiment, which was preceded by some important work at Columbia University in which Dr. John Dunning played a leading role, proved beyond any doubt that a nuclear chain reaction could be made to sustain itself, and that it potentially was capable of releasing great quantities of energy which would appear in the form of heat.

Another important milestone was the first successful production of useful atomic power. This was accomplished in December, 1951, in a machine known as the Experimental Breeder Reactor, which had been constructed at the Commission's Reactor Testing Station in Idaho by the Argonne National Laboratory, successor to the wartime Metallurgical Laboratory. The machine was designed and developed by the laboratory's capable staff, including particularly, Dr. Walter Zinn, its director, and Dr. Harold Lichtenberger.

The amount of useful power produced by the Experimental Breeder Reactor is not significant, and it is being done only as a research experiment, but it has proved beyond any doubt that the heat generated by a nuclear reaction can be taken out and put to work generating electricity.

*An address by Mr. Dean at the 21st Annual Meeting of the Edison Electric Institute, Atlantic City, N. J., June 4, 1953.

More recently, if added evidence were needed, another machine with a different basic design, has also produced useful electric power. This is the Homogeneous Reactor Experiment at Oak Ridge.

The Third Milestone

The third milestone, as I see it, occurred last summer, when reports were turned into the Commission by the four industrial study teams who had been examing the status of the Commission's reactor development program for the previous year. These teams, of which Mr. Cisler's Detroit Edison Company together with the Dow Chemical Company constituted one, had been permitted into the Commission's laboratories and plants (after appropriate security clearance) to see, among other things, whether they thought the development of economically feasible atomic power was possible. I will not go into the details of these reports here; nonsecret versions of them are available elsewhere. But the important thing to remember is that none of them was pessimistic so far as the ultimate practicability of atomic power is concerned. This encouraging judgment on the part of experts from outside the atomic energy program itself has lent a good deal of impetus to the drive to achieve economical power.

The fourth major milestone occurred earlier this year when the prototype of the first atomic power plant for submarine propulsion began operating at the Reactor Testing Station in Idaho. This is a significant reactor for it is the first one specifically designed to produce useful atomic power for a real, practical purpose, that of producing steam to turn a propeller shaft. It isn't economical power, in the commercial sense of the word, but it is real atomic power, and it is going to be put to work to do a job that cannot be done as well by any other means. When the seagoing model of this reactor first turns the screw of the U. S. S. NAUTILUS, probably next year, atomic power will have come of age.

All of these milestones have combined to show us that atomic power can be produced, that it can be produced to serve a practical purpose, and that it almost without doubt can ultimately be produced to serve a practical purpose at costs that can compete with those of coal, gas and oil. It is not surprising that these same factors have also combined to stimulate visions in our minds of a future in which atomic power plants and propulsion engines will add an enormous new source of energy to the world's dwindling supplies of conventional fuels.

Former Relative Scarcity of Fissionable Fuels

But in the past this vision has been clouded a bit by the relative scarcity of the fuels that are known as fissionable fuels, upon which power-producing chain reactions must feed. In this connection, I have the great pleasure to announce that we have now reached still another milestone in the history of atomic energy development in this country. It is a development which holds out the promise of making a civilian atomic power industry even more feasible and attractive in the long range than it has hitherto appeared to be.

To explain to you the impact of reaching this new milestone, I would like to use an analogy, albeit a greatly over-simplified one. I would like to ask you to imagine a world in which only 100 gallons of gasoline existed. When that gasoline was used up, gasoline would forever be gone from the earth. But let us imagine that we could make gasoline out of water by burning the gasoline we had in the presence of water. Let us say, for example, that by burning up our 100 gallons of gasoline we could change 90 gallons of water into new gasoline, and that thereafter we could, by burning gasoline in the presence of water, always make new gasoline equivalent to 90% of that which we burned. By such a process we could quite obviously greatly stretch out our supply of gasoline, but we could hardly expect to stretch it out indefinitely for we would always be making a little less gasoline than we consumed. Ultimately we would run out of gasoline before we ran out of water, and all the rest of the water in the world would be useless to us so far as gasoline production was concerned.

But to pursue our over-simplified analogy still further, now let us assume that we succeeded in developing a way by which we could produce 100 or more gallons of new gasoline from water for every 100 gallons we burned. Suddenly we would have made it possible for ourselves to change gradually all of the water in the world into gasoline. Our gasoline shortage would have vanished.

Scientists have known for a long time that something roughly analogous to this is theoretically possible in the field of atomic energy. In atomic energy, there is only one fissionable fuel that occurs in nature. It is called uranium 235, and it unfortunately constitutes less than 1% of normal, natural uranium. The supply of it that can be obtained from economically mineable deposits is limited. But the scientists have also known for a long time how to change another, much more prevalent, kind of uranium into fuel by burning uranium-235 in its presence. They have also known that they could change thorium, another relatively plentiful element, into atomic fuel by the same process. But they have never been quite sure that this fuel production process could be done in such a way that as much or more new fuel would be created as there was old fuel consumed. They thought it could be done, and they even had a name for it. They called it "breeding," and it was in an effort to find out for certain whether this breeding process was possible in a particular type of reactor that the Argonne National Laboratory designed and built the Experimental Breeder Reactor in Idaho.

The Reactor Has Been Used

This, you will recall, is the same reactor that first produced atomic power in 1951. I now have word that Dr. Zinn, Dr. Lichtenberger and their Argonne colleagues have used the reactor to demonstrate successfully the principle of breeding. The reactor is operating in such a way that it is burning up uranium-235 and, in the process, it is changing nonfissionable uranium into fissionable plutonium at a rate that is at least equal to the rate at which the uranium-235 is being consumed. Breeding has been achieved, and Dr. Zinn and his colleagues are to be congratulated for bringing us to another important milestone in the development of atomic energy.

I think, however, that we must take care to see that this encouraging development is kept in its proper perspective. This news does not mean that economic power from atomic fuels is here. It does not mean that overnight we have suddenly obtained all the fissionable material we want or need. It does not mean that uranium can now be regarded as a virtually costless fuel. It is quite possible that the breeding principle will not even be incorporated in the first atomic power plants. It may be that some other types will be more feasible from the economic point of view, at least at first and possibly for some time. A large-scale breeder reactor can be a costly proposition. It requires a very large initial investment of scarce fissionable fuel. In addition, before the newly created fuel can be extracted and put to use, it must go through a chemical separation process which is currently one of the most expensive aspects of the atomic energy business.

The achievement of breeding also does not mean that we are suddenly independent of raw uranium ore. Far from it. Breeding is a slow process, and a reactor may have to operate for five years or longer before it succeeds in yielding as much new fuel as was initially invested in it. Our great current demand for uranium-235 and plutonium for weapons, and our equally great need for raw uranium ore to meet this demand, will not be lessened one iota.

Significance of Breeding

The real significance of breeding is that it is now possible for mankind ultimately to utilize all of the uranium that can be extracted from the earth's surface for atomic fuel, whether it is fissionable or not in its natural state. The proof of success in breeding at the Idaho station suggests, in addition, that the other potential atomic fuel, thorium, may also ultimately be utilized. Thorium, however, was not used in this particular experiment, and I do not wish to imply that its susceptibility to breeding has been proved.

In summary, I should like to emphasize that the achievement of breeding with uranium is an important event, but it is not one that is likely to cause any immediate, or even imminent, revolutionary change in the economics of atomic power production. What it constitutes, mainly, is another encouraging and important factor which can be introduced into the many calculations being made to determine the best technical and economic approach to real, competitive atomic power.

Atomic Power Policy

All of these factors, and a great many more besides, have combined to bring us to the crossroads in atomic power policy that we have now reached. The last remaining technical obstacle is to learn how to build atomic power plants so cheaply that the power they produce will be competitive with that from conventional fuels. The policy problem that faces us is to determine how this cost-cutting job can best be done.

As you probably know, the Atomic Energy Commission has some ideas on this subject. They were made public last week by the Joint Congressional Committee on Atomic Energy, to whom we had given them in response to their request. But before we consider these, let us consider for a moment the national policies under which most of the technical milestones I have just mentioned have been reached. These policies are laid down in the Atomic Energy Act of 1946, which established the Atomic Energy Commission.

This law, among other things, gives the Commission a complete monopoly in the field of atomic energy. Under the law, for example, no one but the Commission may own fissionable material and no one but the Commission may own any facility in which such material is produced. In addition, no one may sell or ship any of the minerals from which fissionable materials can be produced except with the consent of the Commission, and no one may own a patent having to do with the production of fissionable material. The Commission also has complete control of all information developed in the field of atomic energy, and there are stiff penalties in the law to make sure that this information doesn't find its way into hands not approved by the Commission. All in all, it is a strong law, and the powers it grants to the Commission are broader, or at least as broad, as any ever given a Federal agency.

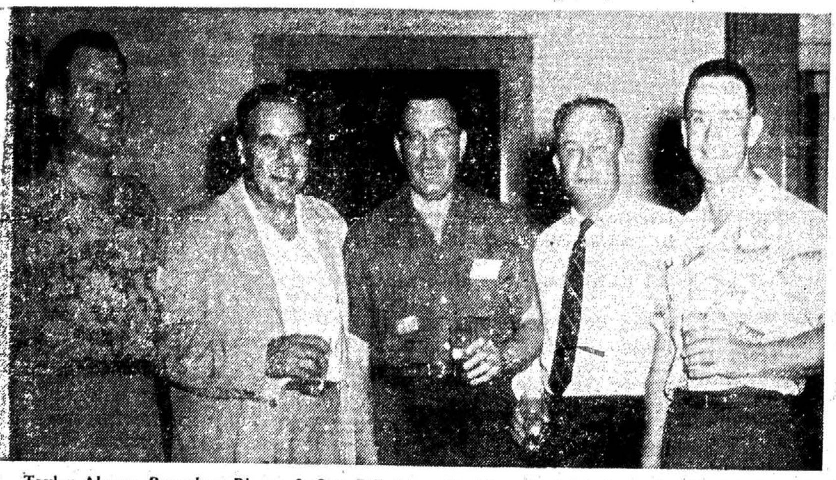
Ground Rules Should Be Changed

This law has been a good law. Under it the atomic weapons program of this country has gone forward at a truly impressive rate, and the technical milestones in the power field that I have mentioned have been achieved. But now, the Commission feels, the law should be modified. The ground rules under which atomic power research is carried on in this country should, in the opinion of the Commission, be

Continued on page 35

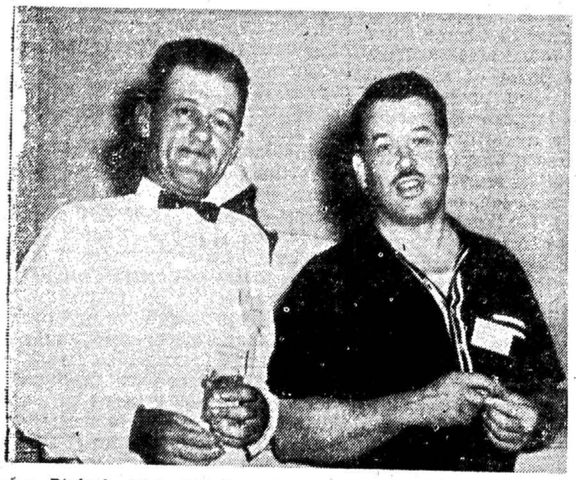
At Dallas Security Dealers Association Outing

(Formerly The Dallas Bond Club)



Taylor Almon, *Rauscher, Pierce & Co.*; Bill Edwards, *Wm. N. Edwards & Co.*, Ft. Worth; Jud James, *Judson S. James & Co.*; Henry Beissner, *Moroney, Beissner & Co.*, Houston; Joe Ellis, *First Southwest Company*

Carrol Bennett, *Dallas Rupe & Son*; Rib Foster, *Merrill Lynch, Pierce, Fenner & Beane*; Harry Reed, *Dallas Rupe & Son*; Harold DeShong, *Dallas Rupe & Son*



Joe Binford, *Binford-Dunlap, Inc.*; Sam Johnson, *Southwestern Securities Company*, Chairman of the Field Day Committee

Keith Reed, *Keith Reed & Company*; Ned Walker, *Merrill Lynch, Pierce, Fenner & Beane*, Wichita Falls, Texas; Dave Lassater, *Southwestern Securities Company*; Hugh Bradford, *Southwestern Securities Company*

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Cliff Osborn, Carrol Bennett, and Harry Reed, all of *Dallas Rupe & Son*

Amurex Oil Stock Offer Underwritten by A. G. Becker & Co.

Warrants were mailed on July 1 to holders of Amurex Oil Development Co. class A common stock entitling them to subscribe for additional stock at the rate of one share for each two shares held. The price is $11 per share, and rights, issued to holders of record June 30, will expire July 14. An aggregate of 250,000 shares is involved in the offering.

A large underwriting group, headed by A. G. Becker & Co. Inc. and including both United States and Canadian houses, will buy any unsubscribed shares.

Amurex was organized late in 1951 and subsequently acquired mineral rights and carried on exploratory work in western Canada and in the Williston basin of Montana and North Dakota. Interests have been acquired in nearly 1,800,000 acres and oil discoveries have been made on three properties in Alberta. Twelve wells in all have been completed in which Amurex has an interest, and exploration work is in progress in a number of other areas. Proceeds from the present offering are to be used in furtherance of this exploration and development program.

Chlorophyll Chemical Stock at $1 a Share

Mitchell Securities, Inc., of Baltimore and New York, are offering publicly "as a speculation" an issue of 300,000 shares of common stock (par 10 cents) of Chlorophyll Chemical Corp. at $1 per share.

The net proceeds are to be used to repay a $30,000 note to Godfrey L. Cabot Co. and for payment of other obligations and working capital.

The business of the company consists of the manufacture and sale of chlorophyll and chlorophyll derivatives to the pharmaceutical, drug, cosmetic and food processing trades. The company's plant is located at McAllen, Hidalgo County, Texas, and its general offices in the Squibb Bldg., 745 Fifth Avenue, New York, N. Y.

Joins Foster & Marshall

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, OREG. — Russell H. Cary has become associated with Foster & Marshall, U. S. National Bank Building.

Now With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, OREG. — Edward J. Vranizan has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building.

Newhard, Cook Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Lyle W. Linch has become connected with Newhard, Cook & Co., Fourth & Olive Streets, members of the New York and Midwest Stock Exchanges. Mr. Linch was previously with Scherck, Richter Co.

Now With Ames, Emerich

(Special to THE FINANCIAL CHRONICLE)

LA CROSSE, Wis. — Linus T. Roehm has become associated with Ames, Emerich & Co., Inc., State Bank Building. He was formerly local representative for Loewi & Co. and was with Holley, Dayton & Gernon.

Business Year to Be Good, Despite Increasing Competition

By HENRY H. HEIMANN*
Executive Vice-President
National Association of Credit Men

Mr. Heimann, in expressing view this year's business as a whole will be good, finds indications of return to highly competitive conditions, with increasing difficulty of expanding concerns to maintain a liquid condition. Holds, because of probable readjustments arising from return of sellers' markets, credit worthiness must be carefully evaluated and credit applicants scrutinized more carefully. Looks for lower profit margins

Without some tax relief, the earnings of business may be slightly lower for 1953. Any reduction in business earnings will occur in the last half of the year. The competitive conditions are such that it is difficult to reflect increased labor costs in sales prices and the profit account of business is being squeezed. However, on the whole business should have a good year despite the many indications that we are returning to a highly competitive business condition.


Henry H. Heimann

One of the most important factors in appraising the credit capacity of a business institution is the experience of management. If management has never had experience in a readjustment period, or has never operated in other than a sellers' market, it has yet to prove its capacity. Under these conditions credit worthiness must be more carefully evaluated.

The impact of the tax law on the cash needs of business makes it difficult to maintain a liquid position in a growing and expanding business. This fact has also made it essential that a high volume of distribution be continued if the normal overhead charges of business are to be absorbed and the profit account is not to be considerably reduced. The break-even point in business should receive carefully attention by those who are engaged in making business loans. It is well to have a projected profit and loss statement based upon a slight reduction in sales. Such a projected statement will be informative not only to the business management seeking a loan but of inestimable value to the banking fraternity.

It is anticipated that some businesses will be in a difficult situation because of poor fiscal management. Undoubtedly a number of businesses that are operating profitably will, nevertheless, face credit committees because they have not taken into account the cash needs with which to maintain a growing business.

The ethics of business are always put to a severe test in any deflationary period. A business character can be said to have been firmly established after it has survived a rather trying period of the times with an experience record of a high course of conduct in its operations. Adversity is the one great factor that brings a revelation of the true character of business management.

The rather rapid rise in interest rates of recent months for the long-range period of time is sound. The synthetically low interest rates of the past decade are largely responsible for the depreciated value of the dollar. The earnings of the banking fraternity during the course of these defense years have not been adequate to meet the needs of growing banking demands. Despite the fact that over a long-range period of time the government particularly will be in need of large amounts of money and also the fact that business on the whole will still continue needing large banking accomodations, it is not likely that interest rates in the few months ahead will vary greatly from existing rates. There should be a slight let-up in banking needs for business, but the real reason why interest rates may not continue their upward spiral without interruption is largely political.

Irrespective of which Administration may be in power, none of them can wholly ignore the fact that we are living in a political economy. It is necessary in such type of economy to give a period of digestion and allow a time for readjustment. In an inflationary period business and people are not unlike drug addicts who enjoy synthetic health or synthetic prosperity so long as the drugs are being taken. When a permanent cure is planned, or programmed, one cannot remove the drugs in their entirety. We have had two decades of inflationary trend and it has taken all that period of time to bring on the depreciation of the dollar. To reverse this situation will require many years and a great deal of patience and there will have to be resting periods at various levels as we shift from an inflationary period to one of mild deflation.

Debt Structure a Problem

The entire public and private debt structure of the nation is one of the real problems facing this country. Its service depends wholly on a continuation of the present high level of activity. A drop of as much as 10% in the volume of sales might decrease business profits by fully twice that much, or 20%. This would bear heavily on the soundness of the debt.

Commercial credit executives intend to scrutinize credit applicants a bit more carefully. It is their program, however, to use credit in a sound way to help stimulate business and thus cushion the let-down of any possible readjustment. Once credit worthiness is determined they then intend to follow a courageous credit policy limited only by their own resources. It is also their program to seek to counsel credit applicants who are of a marginal character and give them a program that will make them worthy of credit. Their whole intent is to have credit aid in a healthier distribution. Modern credit management bases its contribution to a business on its ability to make credit worthy rather than on the bad debt losses it sustains. It seeks in every way to keep the amount of rejected business due to lack of credit capacity to a minimum. It would seem such a program would be a good banking credit policy with respect to credit.

The credit management in commercial companies and in banks as well is not more experienced than business management. Most people of middle age in the credit profession have not been up against an intense competitive condition. It is a totally different matter to develop credit worthiness in a deflationary period than in an inflationary period. In an inflationary period dollars are easy to get and a seller's market prevails. In a deflationary period dollars are more difficult to obtain and margins of profit are lower.

The need of credit executives of middle age or younger is a thorough study of past competitive conditions and the credit practices and problems of the more intense competitive years. Even a study of these conditions will not prove as valuable as experience, but obviously experience cannot be made retroactive. Among the straws in the wind indicating the immediate problems of business and the trend of business are the following:

Commodity prices are under pressure. Housing is harder to sell. The appliance market is somewhat soft as is the second-hand automobile market. Steel scrap prices are down. Farm income is down and may decline further. Payment of accounts is lagging slightly. Soft goods are in plentiful supply.

Businessmen should not look with disfavor on a mild readjustment. It is a healthy condition. There is no need for business to go into a tailspin or for us to suffer a serious depression. Such a result could only come about through our own folly.

*Summary of an address by Mr. Heimann before the Annual Convention of the Vermont Bankers Association, Manchester, Vt., June 20, 1953.

Louis Stone Joins Williston, Bruce Co.

J. R. Williston, Bruce & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Louis Stone is now associated with the firm in charge of research. Mr. Stone was formerly with Hornblower & Weeks and Arthur Wiesenberger & Co. Prior thereto he was an officer of Kugel, Stone & Co., Inc.

Lovett Elected Director

Robert A. Lovett, former Secretary of Defense, has been elected a member of the board of directors of Freeport Sulphur Company, it was announced by John Hay Whitney, Chairman of the board. Mr. Lovett, a partner in the banking firm of Brown Brothers Harriman & Co., resigned as Defense Secretary last January to re-enter private business after having served more than nine years since 1940 in high government posts.


Robert A. Lovett

Now With Reynolds Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—George R. Cole has joined the staff of Reynolds & Co., 39 South La Salle Street. He was previously with Leason & Co., Inc.

Continued from page 7

Picketing Symposium Comments

strikes, too. It is generally recognized by now that property which is devoted to production does not give to employers the right to prevent workers from exercising their right to bargain collectively and on even terms.

Peaceful picketing is a means of preserving the right to collective bargaining, and it is time that this right be so recognized. It is a most valued right not merely in the maintenance of justice in industrial relations, but it is equally important in the preservation of liberty of free men and women. To nullify this right would constitute a grievous loss of our liberty and of our human rights.

H. D. BATEMAN

Senior Consultant, Branch Banking & Trust Co., Wilson, N. C.

The Taft-Hartley Act should certainly be amended so as to take care of this picketing. I can think of nothing in the world so outrageous as for a man who is working for a concern and decides he is unwilling to work and then places himself on the outside with a pocket full of brick bats and proceeds to use them on anybody that wants to work. I think it is certainly an American heritage that a man who wants to work should be allowed to work and those who do not want to work, they simply do not have to work. I shall certainly be glad to see the Taft-Hartley Act amended to take care of this menace to American business.

ROBERT F. SIX

President, Continental Air Lines, Inc., Denver, Colo.

Picketing in our industry has, fortunately, not created the problems which it has for others. Perhaps this is due to our relative freedom from strikes and work stoppages and to the fact that the diverse nature of our operations makes effective and sustained picketing most difficult. Also, because of the craft or class philosophy of the National Mediation Board, each airline usually holds contracts with seven or eight unions representing groups of employees whose interests are primarily separate and distinct from those of the others, aside and apart from the overall interests of the employees in the safety and continuity of their airline's operations.

Robert F. Six

In any event, I feel that the principle of peaceful and orderly picketing is deeply imbedded in present day labor law and would be difficult to root out. The employee through his union feels he has the right to public appeal in the airing of a dispute with his employer. The success of any effort to legislate against picketing as such would be doubtful and could create a highly disruptive atmosphere in labor-management relations generally. The only practical solution to the problem is the restriction of picketing to an orderly and peaceful procedure. In my opinion this can be done through legislation providing for:

(1) *Strict limitation of the number of pickets*, no more than one at any time at the point of ingress and egress from the property.

(2) *No defamatory material to be displayed or distributed.* Too often scurrilous and libelous matter is presented which creates far more "heat than light" leading to violence and retaliation. Organized groups at both the local and national levels should be held accountable for their statements and subject to civil action when these are libelous.

(3) *Abolition of sympathetic picketing by members of other unions not parties to the dispute.* The violence which accompanies picketing can often be traced to the actions of pickets who are neither employees of the company nor directly responsible to the union representing them.

(4) *No mass meetings, parades, or group action* at or near the employer's property, as herein lies the cause of personal injury and property damage.

CLARK R. GAMBLE

President, Brown Shoe Company, St. Louis, Mo.

Basically there are two types of picketing, (1) picketing in support of economic demands, and (2) organizational or recognition picketing. Most types of picketing cause damage to civil and property rights and affect employers, employees and the general public, none of whom have any interest in the subject matter of the dispute.

Generally speaking, no one can gainsay the right of employees to cease work in support of economic demands. To abrogate such privilege would invade the constitutional right of freedom to contract. It must therefore be assumed that where an employer and his employees are unable to reach an agreement relative to wages, hours or conditions of employment, the employer should have the right to suspend operations and the employees the right to withhold services. In such an instance the line of battle is clearly drawn and the issue will be resolved in favor of the adversary having the greatest economic strength of staying power.

The evil inherent in such a situation, however, comes about as the result of a philosophy developed by the National Labor Relations Board over the period of the last twenty years, actively supported by Federal courts, which permits picketing not only at the original site of the controversy but also in any other location where the employer does business, even though the employees at the second site have no interest either direct or indirect in the subject matter of the dispute. The striking employees at the primary site have been permitted to place pickets at the second location and at the same time they are thus stopping operations at that site they are depriving other employees of the right to work with consequent loss of earnings. We take the position, therefore, that the right to picket in support of an economic demand may be recognized at the site of the dispute and the secondary boycott provisions of the Taft-Hartley Act should be enforced against economic picketing where it goes beyond said primary site.

In our opinion the second type of picketing, that which has for its objective the recognition of the union as the collective bargaining agent or the mere publicizing of the fact that the employees of a company are non-union, is by far the greater of the two evils. State courts unfortunately in the past have been loath to enjoin such organizational or recognition picketing on the grounds that to do so would be an invasion of the free speech doctrine enunciated by the Supreme Court in Thornhill vs. Alabama. The question arises, however, so to whether freedom of speech is an inalienable right when it comes in conflict with other established rights such as freedom to work and freedom to enjoyment of property. I think it can be strongly contended that the right of free speech, while guaranteed of the Constitution and guarded zealously by the judiciary, cannot be considered as being any more inviolate than other constitutional rights. The freedom to contract has, in the public interest, been abridged by such statutes as the Fair Labor Standards Act, the Walsh-Healey Act and the Labor-Management Relations Act of 1947. The freedom of undisturbed enjoyment and use of property has likewise been at least partially abrogated by these and other statues. In the final analysis, therefore, we come to the question of whether it is more to the public interest that a labor dispute be publicized than that employees be permitted to work and have the freedom to choose their bargaining representatives without coercion, intimidation or restraint.

It is our very strong feeling that the Labor-Management Relations Act of 1947 should be amended to outlaw any picketing by a union which does not represent the majority of the employees of the establishment which is being picketed. While courts throughout the country are gradually moving toward the granting of injunctions in cases such as this the process is entirely too slow and we feel that rather than rely on judicial action it would be much better to go to the heart of the matter and by amendment of the Taft-Hartley Act prohibit such types of picketing as being an unfair exercise of the rights of organized labor.

SEYMOUR J. PHILLIPS

President, Phillips-Jones Corp., New York City

Picketing is either peaceful or otherwise. If not peaceful, it is now unlawful and what is needed is not more law but honest enforcement of existing law. On the other hand, peaceful picketing has long been regarded as a legitimate aid to labor's strike weapon. I suppose there are those who would outlaw all picketing under the guise of banning lawless picketing, but that is not our way. The sons of employers fought side by side with the sons of the employed against fascism abroad. We want no part of fascism at home.

Seymour J. Phillips

One reason that legislation is often an inadequate if not improper approach to social and economic problems is that the legislative pendulum swings from one extreme to the other. The Wagner Act tipped the scales very drastically in favor or labor unions and against employers. The Wagner Act was a bad law because it was unfair. The Taft-Hartley Act removes much of the inequity of the Wagner Act, notably in providing that unions, too, can be guilty of unfair labor practices. Now it is proposed that Congress swing the pendulum to a reactionary extreme. Intelligent, fair-minded employers want no part of that.

It makes no more sense, in my opinion, to outlaw all picketing because in some instances the practice has been injurious to innocent employers, than to prohibit the manufacture of automobiles because of the innocent victims of reckless drivers.

T. S. PETERSEN

President, Standard Oil Company of California, San Francisco, California

It seems to me that the right to picket in a lawful manner is tied closely to the right of workers to strike against their employers for a lawful purpose, and this I am sure few would deny. However, we must recognize that there have been abuses of picketing, and that some impartial and immediately effective control would be desirable in such cases. With this in mind, I believe it should be made clear that unless the conduct in question is specifically authorized by the Taft-Hartley Act, a state court should have authority to enjoin such picketing or other action as may be contrary to the law and policy of that state. For example, it should be clearly recognized that a state court has the right, in accord with the law of that state, to enjoin picketing which aids a jurisdictional dispute, a secondary boycott, or the breach of a lawful contract. In such instances the fact that the picketing may also be a part of conduct which is an unfair labor practice prescribed by Federal law, should not prevent a state court from upholding state principles.

T. S. Petersen

An amendment accomplishing this seems to be important, in view of some court opinion depriving the states of their heretofore accepted rights in this regard.

J. M. ELLIOTT

President and Treasurer, Alexander Smith, Incorporated, White Plains, N. Y.

The question is whether or not picketing infringes on property rights and civil liberties.

I cannot help but agree that it does. While I have always had a sympathetic feeling to the protection of union rights of all people, the way picketing has been permitted in many areas is, to say the least, most inefficient and impractical as the case drags along and the conflicting parties have difficulty in reaching agreement.

As a rule, the pickets become very impatient and, in some cases, very destructive and menacing. When you see and read of some of the things that happened around the General Electric strike in the East and some of the things I have witnessed in the Mid-West in the last few years, I think picketing his gone beyond its useful weapon and certain laws should be enacted to bring it into a tighter control. If it cannot be administered, then it should be eliminated.

I say this with full respect for the labor union's rights, but they have demonstrated on several occasions right here in New York City on the docks—where even the officers of the law were slugged and abused—that they have gone too far, and these episodes are certainly not contributing in any manner to the reputation or character of union members.

AUGUSTUS C. LONG

President, The Texas Company, New York, N. Y.

It seems that the question of prohibiting all picketing is largely academic because the Supreme Court has held that prohibitions against peaceful picketing for lawful purposes are contrary to the Constitution.

A. C. Long

We understand the Court's decisions have been based on the premise that the "free speech guarantees" of the Constitution give unions the right to publicize the fact that a dispute over economic or other lawful issues exists between them and the employers being picketed. An amendment restricting picketing to such purposes, however, would be helpful. As an example, this restriction should prevent picketing in support of a secondary boycott. Testimony to this effect was given by a representative of The Texas Company before the House Committee on Educational and Labor on March 25, 1953.

We likewise would favor an amendment regulating the number and actions of pickets, so that any person desiring to enter or leave the premises of the employer might do so without molestation of any kind.

HON. DON MAGNUSON

U. S. Congressman, Washington

I am happy to give you my views with respect to the proposal that labor's right to picket be abolished.

I would oppose such a legislative proposal with every means at my command. The right to picket is the key weapon in labor's long battle to achieve a higher standard of living and a more equitable share of what it produces.

And when I use the term "labor," I do not mean organized labor alone, but the working class as a whole, which has benefited along with union members from union activities.

The right to picket is fundamental to successful labor organization.

RAPHAEL MALSIN

Secretary, Lane Bryant, Inc., New York, N. Y.

It would be just as much of a crime to ban all picketing as to allow it to go along completely unrestrained. Picketing is rightly considered a means of the expression and dissemination of opinion. As such, it deserves protection along with the other elements of the Bill of Rights — and to the same extent.

Raphael Malsin

The rights to free speech, free press, free worship, free assemblage, are sacred but not absolute. They do not permit the invasion of other people's equal and similar rights. Freedom of speech is not absolute. It is limited by considerations of slander of obscenity, or incitement to public disorder. Certainly the right to picket should not permit the inteference with other people's right to work, to go about peaceful activities, to be free of coer-

Continued on page 40

Order Books Large Despite June Dip

Business Survey Committee of the National Association of Purchasing Agents, headed by Robt. C. Swanton, finds high rate of industrial activity at half-year closing with industrial buyers already discounting effects of continuation of war or peace in Korea.

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, Division of Olin Industries, Inc., New Haven, Connecticut, indicates the month of June winds up the half year at a high rate of industrial activity. Production zoomed early in the month to satisfy shipping requirements prior to general vacation periods in late June and July. Order books, though still substantial, took another dip during the month, some of this due also to vacation plant closings. Seasonal Summer slowness is expected more nearly to approach the normal trend than at any time since the war. Industrial buyers have evidently discounted the possible effects of peace or continued fighting in Korea.

Robert C. Swanton

Steel price advances have not yet set off an inflationary price spiral. Purchasing executives feel that consumer resistance, production capacities and strong competition will restrain such a movement. Inventories of unworked purchased materials continue a slow decline. Employment slightly up, with a new crop of workers released from schools. It is noticeable that many wage disputes and demands are being quickly settled. Buying policy continues very conservative. Nothing in the June reports by these purchasing executives indicates anticipation of any drastic change, up or down, in the near future.

Commodity Prices

Wage boosts have put steel in the lead of price advances in June. Other commodities have followed a supply-demand pattern, with increases about balancing decreases. Over-all, prices continue the tendency to level off. Resistance to higher costs by consumers and keener competition by producers are restraining influences on price movements.

Inventories

Industrial inventories are slightly down from last month. More members show some inventory build-up this month than in the previous two months, in order to maintain working stocks during suppliers' vacation closedowns in July. The predominant inventory policy is to hold to the lowest operating level, considering the current short procurement lead time of most materials.

Employment

The number of employees is up a bit in June. Outdoor work and student Summer jobs account for most of the increase. Still further cutbacks are being made in premium pay for overtime. Many scattered strikes and threats of strikes have been settled this month.

Buying Policy

In line with the restricted inventory policy and steadily increasing availability of most materials, the range of forward commitments has been reduced again this month. 74% are in the hand-to-mouth to 60-day brackets, the most conservative policy reported in many months.

Two With Davies Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — M. A. Peter Doyle and Charles V. Evans are now with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Change Meeting of Exch. Firms Ass'n

The dates of the fall meeting of the Board of Governors of the Association of Stock Exchange Firms were previously announced as Oct. 14-16, 1953 in Louisville. The starting date has now been changed to Oct. 13, so that the dates are Oct. 13-16.

With Wm. R. Staats

(Special to THE FINANCIAL CHRONICLE)

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

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John W. Marshall has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 454 North Camden Drive.

Joins Wm. R. Staats

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Jas. J. Brett has become affiliated with William R. Staats & Co., 430 North Camden Drive.

A. C. Karr Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jerrine M. Hicks has been added to the staff of A. C. Karr & Co., 523 West Sixth Street.

New York Stock Exchange Weekly Firm Changes

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

Alfred E. Bissell, general partner in Laird, Bissell & Meeds, on July 1 became both a general and limited partner.

Hyde Gillette retired from partnership in Glore, Forgan & Co. June 30.

William J. Bergrath retired from Harris & Co. June 30.

Robert S. Witz withdrew from partnership in Marcus Bros. July 1.

Jayne B. Pearsall, limited partner in Pearsall & Co., retired June 30.

Erickson Perkins & Co. was dissolved as of June 30.

The Business Picture a Year Ahead

By EZRA SOLOMON*

Asst. Professor of Business Administration
School of Business, University of Chicago

Answering the questions: (1) will present level of business last through 1953, and (2) if 1954 brings a slowdown, what will be its nature, Prof. Solomon projects a quantitative analysis of the Gross National Product and its components for current year, and forecasts a high and rising level of activity for second half. Discussing construction and inventory situation, he forecasts "a more than normal season downturn in early 1954," checked, however, by various factors of strength.

The Economic uncertainties of today can be summarized in two questions: (1) Will the present level of activity last through the end of 1953?; and (2) Will 1954 bring a downturn? What will be the extent of the decline if it comes?

Ezra Solomon

I have tried to answer the first question quantitatively by projecting Gross National Product and its Components through the end of 1953. Before discussing this, however, I would like to emphasize two things.

One, is that the numbers I have put down have not been adjusted for seasonal variation. This does not imply any general criticism of the normal practice of thinking in terms of seasonally adjusted data. I do feel, however, that the unadjusted figures are more useful for our present purpose. For one thing they clarify the numerical picture by eliminating a big item of adjustment from data which already contain an abundance of adjustment. Secondly, the unadjusted figures provide a more useful benchmark for evaluating and forecasting industrial sales—which is, after all, the principal reason for the present interest of this group in the future of aggregate economic activity.

The second factor I would like to emphasize is that the chief usefulness of GNP accounts for the businessman is not as a device for predicting company sales. Its virtue stems rather from the fact that it gives us a quantitative framework within which to absorb the barrage of information being hurled at us daily. Since we do, somehow, absorb and interpret what we hear and read, the most logical and the most painless way is to do so explicitly. Putting numbers down in orderly categories is the best way to guard against the implicit overweighting or underweighting inherent in any unsystematic interpretation of facts we do know. However, the most systematic projections of GNP cannot be expected to take care of facts we do not and cannot know — and at times like the present are a lot of these!

The Second Half of 1953

The factors we do know point, on balance, to a high and rising level of activity through the second half of this year. Activity and sales thus far confirm what most economists have been saying since the beginning of the year—namely, for American business as a whole, the year 1953 as a whole, will be the biggest year on record.

However, many have felt less sanguine about the second half of the year. The resumption of peace talks in Korea, the general Russian peace offensive, expected cuts in Federal expenditure, the high absolute volume of business inventories and consumer debt outstanding, the softening of many prices—have tended to increase bearish sentiments about the tenacity of the present boom.

An examination of the figures involved reveals little justification for any pessimism with regard to the second half of the year.

It is clear for example that the new Administration will not interpret the success we hope for in the Korean peace talks as a signal to cut down sharply on National Security expenditures; this, in spite of its strong urge to balance the budget as quickly as possible. It is also becoming clear that the budget amendments now in process mainly affect appropriations: Actual expenditures during fiscal '54 will probably be above corresponding levels in fiscal '53. Together with slightly larger State and local spending this means that actual governmental spending on goods and services will be higher in the second half of calendar 1953 than they are currently running in the first half.

Heavy Capital Outlays

The evidence on domestic investment — excluding inventories —reveals a similar picture. Business plans for the purchase of equipment indicate that the record levels reached in 1952 will be surpassed. An expected level of $27½ billion for the half year, now reaching completion, confirm these indications. There are some who feel that a decline to a $26½ billion rate is in the cards during the second half year, if the projected $27 billion total for 1953 is itself not to be surpassed. However, a study of anticipations data and their fulfillment in the last few years does show that actual expenditures in the second half have generally exceeded anticipations held early in the year.

Continued strength in residential construction has been an important factor in the overall high level of activity thus far.

Outlook for Housing Starts

My projection is that new housing starts in 1953 will exceed 1952's 1.1 million units.

Those who are bearish dispute this on the following grounds:

(1) Expected formation of new households is down to a rate of 700,000 per annum.

(2) The postwar undoubling of families living together has about run its course.

(3) Higher first quarter rates for 1953 over the corresponding quarter of 1952 can be discounted as being due partly to an unusually open winter season and partly to the temporary effects following the suspension of Regulation X controls late last year.

(4) Higher interest rates will be a deterring factor.

(5) The softening of prices of old homes.

This reasoning is quite sound, but its consequences do not necessarily follow within 1953. The principal reasons for expecting a second half better than the second half of last year as far as residential construction is concerned are:

(1) The current large increases in population. Although this increase is not as potent a determinant of demand on the positive side as the decline in the rate of household formation is on the negative side, it does imply a demand for larger and better houses and hence a potential demand over and above the 700,000 units implied if one looks at the rate of family formation alone.

(2) And more important—consumer intentions data indicate that the demand for houses this year will be greater than last year. While intentions are not quite the same thing as sales, intentions have thus far proved to be the most valid clue to housing sales.

Inventory Situation

The last and biggest area of uncertainty for 1953 involves the inventory and consumption group of factors. Inventory accumulation by business and the liberal use of instalment credit, account in substantial measure for the sharp rise in gross national product from a rate of $343 billion per annum in the third quarter 1952 to around the $360 billion level for the fourth quarter of 1952 and the first quarter 1953. By March 31, with business inventories at $75 billion and consumers debt outstanding at $25 billion, both figures stood at all-time highs, and a lot of attention was focused on these very volatile sectors.

Gross National Product: A Projection for 1953

Not Adjusted for Seasonal Variation

(Billions of Dollars)

	1952 First Half	1952 2nd Half	1953 (Projected) First Half	1953 (Projected) 2nd Half
Expenditures—Government Purchases:				
Federal: National Security	24.2	25.0	26.0	27.0
Federal: Other	2.4	2.8	3.2	2.8
Total	26.6	27.8	29.2	29.8
State and Local	11.4	12.0	12.2	12.8
Total	38.0	39.8	41.4	42.6
Domestic Investment (exclud. invent.)				
Residential (non-farm) Construction	5.0	6.1	5.5	6.2
Other Construction	5.9	6.5	6.1	6.7
Producers Durable Equipment	13.0	12.5	13.5	13.5
Total	23.9	25.1	25.1	26.4
Personal Consumption Expenditures:				
Durable Goods	11.9	13.9	14.2	14.0
Non-Durable Goods	56.5	62.6	58.8	65.6
Services	35.5	36.0	37.5	38.4
Total	103.9	112.5	110.5	118.0
Total Final Domestic Sales	165.8	177.4	177.0	187.0
Increase in Business Inventories	0.5	2.6	4.0	—1.0
Net sales to Foreigners (exclud. Govt. Grants)	0.6	—0.6	—1.0	0
Total Expen. (Gross Natl. Product)	166.8	179.4	180.0	186.0
(At Annual Rates)	333.6	358.8	360.0	372.0
	346.2		366.0	

A lot of people felt that a $360 billion level of activity based on such a rate of growth of inventories and of debt financed consumer purchases could not be expected to continue—and that if it did continue an extremely dangerous situation would be developing.

Here again, the reasoning is fundamentally correct, but incomplete.

The economy has already begun to register a $360 billion level without the benefit of purchases for inventory accumulation. An examination of the inventory increase itself shows that the bulk of the increase took place in the manufacturing sector; and the large share of raw materials and goods in process in this increase indicate that much of the increase was in anticipation of a higher level of shipments and sales.

Inventories

The higher sales are now materializing and the ratio of inventories to current sales is lower than it was this time last year, for almost all lines of business. However, durable goods inventories in relation even to present rates of sales are still very high by prewar standards. Since production is also at extremely high rates, very high sales will be needed if a further rise in inventories is to be prevented. Here too intentions data lead one to believe that purchases of automobiles and major appliances will be well above last year's level. So great a part of these intentions are currently being fulfilled that we should expect some decline in demand in the second half. We should also see a decline in automobile and appliance production from present levels—the more so, as some attempt will be made to work off durable inventories before the year closes.

However, such declines as can be expected in the durable sector will be more than offset by the other items of consumer spending: (1) A steady rise in consumer expenditures on services; (2) by seasonal and underlying strength in the demand for non-durable goods, backed by growing levels of disposable personal income as well as by the high level of liquid personal savings consumers accumulated in 1952.

In summary, the economy in the second half of 1953 will be able to absorb a switch from inventory accumulation to some inventory decumulation and some decline in the sale of consumers durable and still provide the overall demand to ring up a new record level of business for the half-year.

What of 1954?

What of 1954? Much of the basic evidence needed for a reasoned projection is not yet available. My present guess is that a more than normal seasonal downturn in the early months of 1954 will bring the economy down from the lofty highs of the second half of 1953 to around a $350 billion level. The continued removal of one stimulus after another will tend to keep all of 1954 at about this dollar rate of activity. However, this retreat from the ceiling levels of outout and employment of 1953 will find a floor at a level that would normally be considered very high indeed.

On the negative side are all of the factors already being suggested as deflationary forces for the last half of the year: these will begin to operate as 1954 progresses.

Family formation will remain at the present low rate of 700,000 per year and expected housing starts will not long remain too much higher than this rate.

The impetus of rising Federal expenditures and of Federal deficits are slated to disappear by mid-1954 unless something serious happens on the international scene.

The automobile market will return to replacement as its principal source of demand: Estimated scrappage of prewar cars and some early postwar cars combined with some increase in the automobile population lead one to anticipate a market for not more than 4,000,000 cars per annum.

On the investment scene, several sectors of business will have reached planned capacity and will reduce their buying in the plant and equipment markets.

However, we should not lose sight of an opposite set of factors which exists to sustain a high overall demand. Four million cars per annum and 750,000 new homes are a substantial backbone to continued consumer demand. Add to this the fact that general consumer spending does not adjust itself downward too readily in the absence of widespread unemployment and panics, and that liquid assets are at such levels that we can expect consumers in general to continue current expenditures even if it does involve spending 2 or 3 cents more out of each dollar of disposable income. With present general magnitudes, 3 cents per dollar implies some $8 billion.

A second factor of underlying strength is the need for even more plant and equipment by many sectors of business. The growth industries like electric and gas utilities, petroleum, and chemicals will continue to spend vast sums on research, development and expansion. At most the overall decline in total plant and equipment spending will be a small one.

A third factor of strength will be rising state and local outlays for highway and school construction. Potential needs in these sectors are huge, and pressures from the school-age and automobile population are urgently in need of easing.

Finally, we have the willingness and the ability of the Federal Government to take action if such action is needed. The money supply is currently very tight and tax rates are very high. Action in either or both of these areas would be a very effective device for reinflation should the need arise. I doubt seriously that any downturn too much larger than the one we saw in 1949 will be permitted to occur.

*An address by Prof. Solomon before the Executive Program Club, Chicago, Ill., June 2, 1953.

Cousens With Gibbs & Co.

(Special to The Financial Chronicle)

WORCESTER, Mass.—V. Thornton Cousens has become associated with Gibbs & Co., 507 Main Street. Mr. Cousens in the past was an officer of Christianson, MacKinnon & Co., Inc. and was with Davenport & Co.

Donald E. Johnson has also joined the staff of Gibbs & Co.

With Gottron, Russell

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Robert L. Anderson has become affiliated with Gottron, Russell & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Joins Ohio Company

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Robert M. Creath is now affiliated with The Ohio Company, 15 North High Street.

With Edw. E. Mathews

(Special to The Financial Chronicle)

WORCESTER, Mass.—Henry R. Fine is with Edward E. Mathews Co., 1 Green Street.

Constructive Risk Lending To Growing Enterprises

By E. LAWRENCE WORSTALL*
President, Robert Morris Associates
Vice-President, The Philadelphia National Bank, Philadelphia, Pa.

Maintaining the extension of bank credit to a growing enterprise in an investment in that company's success potential, Mr. Worstall describes financing problems of growing enterprises and the risks involved in affording credit to them. Says each individual case has its own complications, and names flexibility as a vital prerequisite to success of a growing business. Stresses, also, management as a credit factor, and lists qualifications and responsibilities of loan officers.

I have been asked to say a few words about constructive risk lending to growing enterprises. My remarks will be confined to small and medium-sized companies, the businesses which usually cannot obtain their funds for growth from security markets. Also excluded from this discussion are those companies whose growth is the result of temporary causes, such as an expanded program of national defense.

This topic appears to be a most timely one. Today our country is emerging from a period of almost fantastic economic growth. Much of that expansion, to be sure, has been only in terms of dollars, after two decades of easy money policies and steady cheapening of currency values. Nevertheless, much real growth has been achieved by business. The production and distribution facilities of almost every industry are substantially broader and more efficient than they were ten years ago. In a strictly economic sense, this expansion has been relatively simple. At least, it has not been hampered by the depressing influence of a cyclical down-swing. There is persuasive evidence, however, that we are now facing a period of economic adjustment. Already there are signs pointing toward a peak in the business cycle. Certainly, it seems reasonable to expect that the realization of profits will require better management, more vigorous selling, and more efficient production. To that extent, the problems of growing enterprises will be even more troublesome. The complexities involved in lending to growing enterprises will be even more pronounced.

Financing Problems of Growing Enterprises

As you may easily guess, the problems encountered in extending bank credit to growing companies are somewhat unique. In part, they arise from the financing requirements peculiar to expanding business, in part from the difficulties imposed by our tax system, and in part from the necessity for close and continuing appraisal of management.

The financing requirements of growing enterprises are distinctly different from those of mature businesses. To put it very simply, the growing enterprise usually needs more credit, in proportionately greater amount, and for a longer period of time, than does the "middle-aged" organization. Whereas the latter might require credit to finance isolated areas of its activity—seasonal purchase of inventory, improvement of plant or equipment, or performance of a military contract—the growing enterprise needs credit of a continuing nature just to support everyday operations. In many cases, bank loans to a mature enterprise are of a self-liquidating nature; the means for repayment are clearly visible. Not so for loans to most growing companies. These loans are needed to supplement ownership capital in order that payrolls can be met, materials bought, and taxes paid. For their repayment, the banker must look to the ability of management to operate profitably over a long run. In a very real sense, the extension of bank credit to a growing enterprise is an investment in that company's potential for success.

Frequently, the growing enterprise requires credit in ever larger amounts as the scale of its operation increases. Why is this so, you might ask. If a young company's growth is sound and profitable, why should not its increasing profits provide the funds for expansion? In many cases, growth may be just that easy, financially speaking. But and this is a very large "but," in many more instances business growth is not nearly so convenient or smooth. Quite often growth is not consistently sound. There are many false starts and wrong turns; the company's record of progress is apt to resemble the twisted, tormented trail of a mountain climber rather than a straight and narrow flight of stairs. So the banker, provided he can retain faith in the company's future, must be prepared to expect occasions when his growing customer's credit requirements seem awfully high. At the same time, he must be constantly alert to the ever-present danger that too much credit might prove the company's undoing. He must not permit himself to finance too many wrong turns or too many false starts. More than one loan has turned sour because of an exposure to over-optimism on the part of both banker and customer.

Another reason for the growing company's continuous and increasing dependence upon bank credit—and an additional problem for its banker—is the excessive burden of taxation. The amount of profits drained away by taxes severely penalizes many of our younger and growing enterprises. A hangover from the past, today's tax program has been called "savage" and "inequitable" by many careful and respected observers. President Eisenhower, we know, is anxious to reduce this tax burden and to revamp the entire tax structure. Until that happy day, however, the banker must try, prudently and wisely, to replace with credit the profits which should go into new capital for expansion, but which are being taxed away. He must also be keenly aware of the dangers inherent in the use of tax reserves as working capital, a practice all too common, although often forced by circumstances.

Other Problems Involved in Lending

These factors, of course, are only the broad outlines of financial problems associated with loans to growing enterprises. There are many, many difficulties; and each individual case has its own particular complications. As an example, a vital prerequisite to the success of almost any growing business is flexibility. For the sake of greater competitive strength, if for no other reason, the young enterprise should be financially able to seize profitable opportunities when they arise. It cannot afford to pass up the chance of a bargain in materials, or of changing to a better location, or of buying a piece of badly needed equipment. In the fickleness of fate, however, such opportunities often arrive just at the time the company is borrowing heavily for routine operations. When the banker is told, in glowing terms, of this "one in a million" chance for his young customer and hears the plea for additional credit, he must make a hard decision. But make it he must—"Yes" or "No." If he is like me, he sends up a small prayer for the correctness of his judgment. A wrong "No" may be as harmful, or more so, than a wrong "Yes."

Management as a Credit Factor

If the problems of granting sensible credit to growing enterprises were confined to financial considerations, the loan officer's task would be difficult enough. Unfortunately, the human factor —the question of management— thrusts itself inevitably upon the scene. When I look back over the cases I have handled, the problem of management itself recurs time and time again. Some of you may have heard this favorite expression of an old Philadelphia banker: "We never have trouble with the companies that borrow from us, only with the people that run them." One of the most common, and at the same time, frustrating difficulties to be dealt with in this field is the inability of some managements to grow along with their businesses. Another case is that of the management which is deficient in practical overall business knowledge although well experienced in certain particular specialties. In both cases, the problem becomes more acute as the size of the business increases. While the enterprise is yet small, one-man rule can be practiced effectively, and mistakes in business policy and judgment may not be too serious. However, as the business grows—expanding production, taking on new lines, hiring more people, spending more money—the job of directing its affairs becomes increasingly complex. The decisions which were good enough for the enterprise of $30,000 net worth and 40 employees may easily be catastropic for the $300,000 company employing 200 people. To grow along with the business, management must broaden its ability to manage. It must surround itself with capable assistants and learn to give them sufficient authority as well as responsibility. Whenever needed, it must obtain the professional services of reliable management consultants. By ignoring these requirements, management may condemn its company to a future of mediocrity or even failure.

The banker who is progressive and courageous enough to make loans to growing enterprises is faced with countless other problems concerning the management factor. He must, for instance, deal with the owners who insist on paying out ill-afforded dividends; with the management unable to control a craving for extravagant, elaborate machinery and equipment, regardless of the need for money elsewhere in the business; with the management, on the other hand, that cannot resist the sales talk of suppliers and crams full its sheds and warehouse and cellar with slow-moving inventory; with the management that extends too much credit on too liberal terms, that wants to grow too fast, that spends too much for advertising, that refuses to maintain proper accounts and records.

Responsibilities of the Loan Officer

Now, what can the loan officer do to meet the problems I have sketchily outlined? What should be his approach in this particular area of lending? Obviously, no specific rules can be devised which will cover each and every situation, or even a few of them. At the most, we can merely suggest a few broad principles of action which might be helpful in thinking about the aspects of an individual case.

To begin with, it is of the utmost importance that the banker who is asked to grant credit to a growing company become absolutely familiar with all the facts surrounding his customer. He should acquaint himself fully with the company's product or service, including the factors which enter into pricing, marketing, and demand. He should learn what he can about the enterprise's industry—its past, present, and probable future. He should carefully examine the place of business and judge the adequacy of facilities and efficiency of operations. He should scrutinize all the financial data obtainable, being prepared to dig hard for information since many young companies have no knowledge of the manner in which to present their case intelligently and convincingly. Finally, through long and friendly discussion, he should learn all there is to know about the man or men in management — their past record, their training and ability, their character, their likes and dislikes, their fears and ambitions.

If the decision is made to extend financial assistance, the banker must then determine how far to go, how much risk to assume. I have found it helpful to sit down with the management and work out a plan for a relatively short period; say, three or six months. For that period of time, there is mapped out an objective of production or sales and a schedule of the activities necessary on their part, and the credit necessary on our part, to accomplish the goal. Of course, more often than not, our plans must be changed in order to cope with unexpected developments; but at least we have an overall guide. One of the most difficult decisions to be made by the loan officer is this balance of loans between two requirements: first, to supply enough credit on the right terms so that it may truly be constructive; second, to avoid an inordinate share of risk in the enterprise's future. Unfortunate though it may be, we simply cannot allow our loans to assume the proportions of ownership capital. The line must be drawn somewhere. At the same time, our rates of interest should reflect the greater risk and cost involved in lending to growing enterprises, although we should not penalize these borrowers just because of their small size or immature financial condition.

Obtaining Collateral

In certain situations, the banker's risk may be held within reason by obtaining collateral. The use of warehouse receipts, assigned accounts receivable, and chattel mortgages — techniques well known to you, I am sure— may be quite helpful. On the other hand, it may often be impractical to obtain such protection. The accounts receivable of many young companies are too small in amount and large in number to make their use as collateral feasible. Corresponding obstacles may exist with respect to the pledging of other assets. Then too, not a few enterprises of this type would find it impossible to bear the costs entailed in certain collateral loans.

Term loans for periods of one to three years often are useful for providing working capital as well as financing of fixed asset acquisition. Where the company's income is small but regular, the amortized repayment method of term loan arrangements is particularly appropriate. Furthermore, this type of lending has the advantage of facilitating the banker's control through a formal loan agreement which might spell out required working capital, submission of financial statements, permissible fixed asset spending, and so on.

Banker Must Watch Borrower

Above and beyond all this, there is one measure which is absolutely essential. It is a close and continuing watch over the company's progress. More than anything else, regular, careful observation will spell the difference between a successful or unsuccessful experience in lending to growing businesses. It is not enough to obtain all the facts at the outset. From that point on, every step of the company—forward or backward — must be noted and appraised. The wise banker will, of course, insist upon detailed financial statements at frequent intervals. He will also insist that his young borrower maintain proper and sound records and employ the services of a reliable outside auditor to back up the statements. He will visit the enterprise's plant or store often and examine housekeeping, attitude of workers, maintenance of equipment, and so on, with great care. He will meet the management regularly so as to discuss the company's progress. Because such very close supervision is required, it is advisable that lending of this sort be confined to companies within easy traveling distance. To change an old maxim slightly: "Out of sight, out of control."

It is true that loans to growing enterprises may entail somewhat greater risk and more difficulties than do loans to mature companies. Yet, I believe they are well worth the trouble. In no other area of bank credit is there such rich opportunity for truly creative building. The problems, indeed, are many; but the rewards are even greater. There is a tremendous personal satisfaction to the loan officer who sees his young customer ripen into maturity as a result of an alliance between constructive bank assistance and energetic management. Whenever I see this happen, I am reminded of the sign in an old watch shop over in Switzerland: "What is it that makes a Swiss watch good?" The answer is: "Good parts working together." But the end result of a successful program of constructive loans to a growing enterprise is not merely the development of a well balanced and grateful customer. It is convincing proof that the commercial banks of this country can and do meet the challenge that is theirs: fulfillment of the financial needs of American business—everywhere.

*An address by Mr. Worstall at the 51st Annual Convention of the American Institute of Banking, Cleveland, O., June 10, 1953.

W. E. Burnet Admits Arthur Jansen to Firm

W. E. Burnet & Co., 11 Wall St., New York City, members of the New York Stock Exchange, announces that Arthur Jansen has been admitted to the firm as a general partner. A specialist in railroad securities, Mr. Jansen is returning to the Burnet firm in which he had been a partner from 1943 to 1947. He has recently been a partner in J. R. Williston, Bruce & Co.

Arthur Jansen

Freer Trade for a Stronger Free World

By PAUL G. HOFFMAN*
Chairman of the Board, The Studebaker Corporation

Warning of the dangers to free world from shrinkage of international trade, prominent industrialist and former ECA head, urges lowering of trade barriers throughout world and a strengthening of the "will to export." Says Europe has been singularly clever in inventing techniques for restricting trade, but notes progress towards more intra-European trade in creation of the European Payments Union and the European Coal and Steel Community. Advocates U. S. trade policy based on national interest rather than particular industries or groups.

International trade—always important — takes on a new and added significance today because of its vital part in the struggle between the free world and the Kremlin. Premier Stalin, in his grand strategy for world conquest, counted heavily on a shrinking of world trade to set the stage for tensions, and perhaps conflict, among the free nations.

Paul G. Hoffman

In his statement of policy on the Soviet's economy and on world affairs, delivered in October of 1952, Stalin pointed out that the capitalistic system had, as a result of developments since World War II, suffered a reduction in the total world market by the loss of China and certain Eastern European countries. He gleefully stated, and I quote:

"But from this it follows that the sphere of application of the forces of the chief capitalist countries (the United States, England and France) to the world resources will not expand but will contract, that conditions of the world market of sales for these countries will grow worse, and idleness of enterprises in these countries will increase. In this, properly speaking, there consists a deepening of the general crisis of the world capitalist system in connection with the disintegration of the world market."

Let us face the fact that contraction of world trade might well, as Stalin asserts, bring on a trade war so bitter that the free world would break apart. You can be sure that Malenkov and company are presently engaged in strenuous efforts to bring this about. As a matter of fact, I am reliably informed that Russian agents are making tempting trade offers to several European nations in an effort to entice one or more of them away from the coalition of free nations. Such activities are in line with the fundamental tactic of the Kremlin in its drive for world conquest — divide and conquer. They know that it is their only chance for success, because if the free nations stick together and work together for their common defense and for economic progress, the free world is bound to win out.

In view of the importance which the Kremlin places upon the disintegration of world markets as a vital factor in the defeat of the free world, I am sure you agree with me that the rebuilding of these markets and the expanding of world trade is a project to which we must devote our best talent and effort.

*An address by Mr. Hoffman before the College of Commerce, University of Notre Dame, Notre Dame, Ind., May 12, 1953.

Expansion of World Trade Not Easy to Attain

The rebuilding of world markets and the expansion of world trade is not a goal easy of attainment. All types of barriers to trade—import quotas, exchange controls and tariffs—must be lowered, and quickly. This must be done in regional trade areas and among those trade areas. For example, trade barriers among the nations of Europe must be further reduced. This also applies to barriers between India and Pakistan and in various other natural trading areas. Similarly, barriers among the trading areas — for example, those between the sterling area and the U. S. A.—must be lowered.

More importantly, perhaps, even than the lowering of these barriers, there must be a strengthening of the "will to export" among the producers of the free world. Each year there is a loss of trade amounting to hundreds of millions of dollars because of senseless restrictions. But there is a loss of trade in an even larger amount because producers do not make a real try for the business Let me illustrate what I mean.

Many of you doubtless have been in the Shannon airport in Shannon, Ireland. You may remember that in 1948 there was a small shop displaying a few odd bits of Irish goods. Sales amounted to only a few thousand dollars a year. The officials of the government of Ireland applied to ECA for a grant. We told them we would help, provided they would prove to us that they really wanted to help themselves. We suggested that many good American dollars might be garnered in at Shannon if they would put in a real display of merchandise and make it easy for prospective customers to spend their dollars. They took the hint, enlarged and modernized the store, which today is bringing in annually not a few thousand dollars, but several hundred thousand dollars. There are many, many such opportunities for expanded dollar earnings.

The history of intra-European trade for the past 15 years provides answers to the question of both what not to do and what to do to achieve an expansion of trade. In the period just before and just after the second world war, Europe had been singularly clever in inventing new techniques for restricting trade. These techniques went far beyond ordinary tariffs. Tariffs are an obstacle to trade but by strenuous efforts, goods can be sold in volume in spite of them. Not so in the case of one of Europe's new devices—the import quota that restricts to a very small quantity the total amount of goods allowed to enter a market. Another of Europe's new restrictive devices is the control of monetary exchange. Exchange control operates in a similar manner to the import quota—only a certain amount of currency is released for the purchase of foreign goods of a given category. Import quotas and exchange controls operate in a precise and deadly manner in stifling trade.

By the year of 1948, when the Marshall Plan started to operate, Europe's tariffs, import quotas and exchange controls had sharply reduced intra-European trade. If the costs of the Marshall Plan were not to be excessive, intra-European trade had to be restored. The task of rebuilding that trade was given to the OEEC, that is, the Organization for European Economic Cooperation, of which all nations participate in the Marshall Plan were members. The officials of this organization, with some help from Marshall Plan officials, tackled restrictive devices in the order of their seriousness. Continual pressure was kept on every nation to eliminate import quotas, exchange controls and tariffs.

Through OEEC programs, as of April 15, 1953, quantitative restrictions had been removed from 70% of intra-European trade. Ten of the 16 countries of the OEEC had reached the minimum requirement of 75%, and six of them (Belgium, Luxemburg, Germany, Italy, Portugal, Sweden and Switzerland) had attained at least 90% liberalization. The United Kingdom has recently increased liberalization from 44 to 58%.

Exchange controls were largely eliminated as a result of the establishment of the European Payments Union. The agreement on the EPU we signed in September, 1950. This institution established full transferability among Europeon currencies and replaced the bilateral system of financing intra-European trade. By thus eliminating payments, grounds for trade discrimination, EPU has given great impetus to the liberalization process.

The European Coal and Steel Community

The most ambitious single project for expanding trade was the creation of the European Coal and Steel Community. The Schuman plan treaty establishing the CSC was signed April 18, 1951, by the governments of six countries — France, Germany, Italy, The Netherlands, Belgium and Luxembourg. The Treaty went into force after ratification by the six governments on July 25, 1952.

The first important step taken by the community was the entry into operation on schedule on Feb. 10, 1953, of a common market for coal, iron ore, and scrap. This meant that quantitative restrictions, customs barriers, dual prices and certain discriminatory freight rates and subsidies were eliminated within the community. Subsequently, a second significant step was taken when the common market for steel went into operation on May 1.

The creation of the European Coal and Steel Community has not lessened competition among producers. As a matter of fact, perhaps for the first time in the coal and steel industry of Europe, competition will be the normal rule of trade.

As a result of the operation of the plan, the total production and sales of coal and steel should be greatly expanded, but the extent to which producers share in this extended market will depend upon individual effort.

It is the hope of many of Europe's friends that the Shuman plan will accelerate the creation of a permanent free trading area comprising 270 million consumers in Western Europe. Such a trading area will accelerate the development of large-scale, low-cost production industries. It would make the effective use of all resources easier and the stifling of healthy competition more difficult.

The hope that such a great market can be established is given substance by the cold statistics of the progress which has been made in expanding intra-European trade between 1948 and 1952. In volume, the increase was 100%; in value, 80%.

How to Expand U. S. International Trade

I have discussed in some detail the methods used to bring about an expansion in intra-European trade because of my familiarity with that area. I am certain that similar programs in other natural trading areas, such as, for example, the subcontinent of Asia or the South American Republics, would yield equally impressive results. Now I want to talk about how trade can be expanded between the greatest single trading area in the world, the U. S. A., and all other regional areas.

One fact can be quickly stated —the only limit to the volume of American exports is that imposed by the availability of dollars in other parts of the world. All the dollars we send abroad, whether through the purchase of foreign goods or through loans or grants, come flying home to us. Unfortunately, since World War II, $35 billion worth of our exports have been paid for by the dollars we have either loaned or given to our foreign customers. That is undesirable both from their standpoint and ours. Oddly enough, the most serious protests against gifts or loans comes not from us but from those who have received them. They are asking for trade, not aid—a chance to earn the dollars. Most Americans agree that they should be given this chance.

There is also substantial agreement among knowledgeable people on certain revisions in our trade and tariff policies which should make possible sharply increased imports without creating any serious problems for our own producers. Speaking personally, I find myself in complete agreement with the findings and recommendations made by the Public Advisory Board of the Mutual Security Agency. I worked with the members of that board for two and one-half years and as a result have great respect for their competence. They recommend:

(1) That decisions on trade policy be based on national interest, rather than the interest of particular industries or groups: that in cases where choice must be made between injury to the national interest and hardship to an industry, the industry be helped to make adjustments by means other than excluding imports—such as through extension of unemployment insurance, assistance in retraining workers, diversification of production, and conversion to other lines.

(2) That a new, simplified tariff act be adopted, providing for general reductions of duties and eliminating present uncertainties in the classification of goods by consolidating the many hundreds of present tariff rates into seven basic schedules: A Free List; four groupings of commodities bearing duties of 10, 20, 30, and 40% ad valorem; a Specific List for basic agricultural and mineral raw materials, and an Extraordinary List where commodities might be placed whose importation, for security or other reasons, should be limited by quotas or other restrictions, or by exceptionally high rates; that Congress establish appropriate standards for such an act and authorize the President to develop and carry out its details.

(3) That the President be authorized to enter into reciprocal trade agreements without limit of time and with power to reduce tariffs, within specified limits, in return for reductions in tariffs or restrictions by other countries.

(4) That, as an interim measure, customs procedures be simplified by prompt passage of a bill similar to that recommended by the Treasury and passed by the House of Representatives in 1951; that a commission be created to study and propose further measures of customs simplification.

(5) That tariffs be reduced, and quotas on agricultural products be liberalized to allow the freer import of goods that are not produced in this country in sufficient quantity at world prices; that section 104 of the Defense Production Act, restricting the import of certain agricultural products be repealed.

(6) That tariffs be reduced and in some cases ultimately eliminated on metals and minerals of which imports are a major part of United States supplies; that, where necessary for defense reasons, domestic production be encouraged through special purchases or contracts rather than tariffs.

(7) That import excise taxes now applying to petroleum products be dropped; that, if imports reach a level where they impede domestic exploration and development, other measures be taken to assure a domestic industry adequate to defense needs.

(8) That cargo preference, by which 50% of the cargo on aid and loan shipments is reserved to domestic carriers, not be applied to countries that let American shippers compete on a fair basis.

(9) That the procurement policies of the Government which raise the cost of goods bought by the Government be reconsidered in the light of the principles and objectives of a foreign trade policy in the national interest.

(10) That the Congress take the necessary steps to enable the United States to join in establishing an international organization to promote the objectives of the General Agreement on Tariffs and Trade (GATT); that active participation be continued in other international organizations to promote fair exchange and fair labor practices and the flow of investment capital.

Strengthening the Will to Export

Having now indicated to you the steps which I think our Government and foreign governments should take to provide opportunities for freer trade, I want to return to a statement I made earlier, namely, that even more important than the lowering of trade barriers is the strengthening of the "will to export" among the producers of the free world. All that Governments can do is to provide an opportunity for businessmen. Governments cannot supply the imagination, the drive and the boldness it takes to win new markets for any product. Out of the tens of thousands of producers of goods in other parts of the world, a few hundred —but only a few hundred—have made an intelligent and determined effort to win a share of this great American market. There is no mystery whatever in what any producer needs to do if he wants a share of this market. He must first analyze it to determine whether his product as he now builds it has the necessary sales appeal and can be marketed at a competitive price. If it lacks sales appeal, perhaps some minor change will supply it. If the cost is too high, perhaps some way can be found to reduce the landed cost. If either with or without changes the product is suitable for this market, then proven sales and advertising techniques should be employed to merchandise it. Again I repeat, there is no mystery in the process. but that doesn't mean it isn't a tough task. But the stakes are huge. Perhaps I am being over-optimistic, but I do not believe so, when I state that if all foreign producers went after business in this market as aggressively, for example, as the makers of English sport cars, increased sales of at least a billion dollars would be made. That billion would go a long way toward closing the troublesome dollar gap.

In closing, may I summarize what I have said to you. If we want a stronger free world, we must have freer trade. To have freer trade, governments throughout the world must clear the way so that the businessmen of all nations can go into action. And if enough businessmen put their hearts and minds into a drive to expand world trade, world trade will, Mr. Stalin notwithstanding, sharply increase. Thus, business will have made a real contribution toward keeping the free world free.

Hugh Bass Joins Keith Reed & Co.

DALLAS, Tex. — Hugh Bass, widely known Texas investment securities executive, has been appointed Manager of the municipal bond department of Keith Reed & Co., Fidelity Union Life Building, with headquarters in Dallas, according to a statement released by Keith Reed, President.

Hugh Bass

A native of McKinney, Texas, Mr. Bass started in the banking business in that city. He became associated with the investment phase of banking upon moving to Dallas, many years ago. Since that time, Mr. Bass has been affiliated in an official capacity with some of the most outstanding banking and investment institutions in this area.

He served as Secretary-Treasurer of Dallas Securities Co., one of the first companies in Dallas dealing in investment securities involving public utility and municipal bond issues. Later, Mr. Bass was associated with the Mercantile Trust and Savings Bank, where, as Vice-President, he organized that institution's bond department. Mr. Bass' experience in the investment-banking field, specializing in municipal financing, led to his recent appointment, said Mr. Reed.

Walston Adds to Staff

(Special to The Financial Chronicle)

LONG BEACH, Calif. — Lee C. Hauge is now with Walston & Co., 110 Pine Aveune.

Two With Fewel & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William E. Hash and Allen L. Walker have become associated with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Walker was formerly with First California Company and Gross, Rogers & Co.

Joins First California

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — James E. Oglesby, Jr. has become affiliated with First California Company Incorporated, 647 South Spring Street.

Daniel J. Courain, Sr.

Daniel J. Courain, Sr., formerly for many years associated with Clark, Dodge & Co., New York City, passed away at the age of 71.

Harry Arnold Honored in Portland

Harry Arnold, Goldman, Sachs & Co., New York, who is the President of the National Security Traders Association, receives an honorary degree of knighthood under the hand of lovely Queen Nancy and Donald C. Sloan, Donald C. Sloan & Co., Prime Minister of the Royal Rosarians of Portland, while a guest of the Portland Bond Traders Club. Every year an honorary degree of knighthood is conferred on a few select citizens. Harry Arnold is now known to the people of the City of Roses as Sir Knight Arnold of the Rose, Peace.

Yes, Listen to Them, but . . .

"It is altogether unreasonable to believe that this or any other nation can in this atomic age provide for 100% insurance for its protection against the disaster of an attack. It must be borne in mind that our strength is both military and economic.

"We must strive to balance minimum defense needs against dangers of unbearable burdens on the economy. We must listen to our military leaders as they present the military needs. On the other hand, our civilian leaders are presumed to have better information on what the nation can afford—not so much in terms of dollars but in terms of the extent of continuing drains on the nation's security. Perhaps as Secretary of Defense Wilson has stated we may be expecting too much of our military leaders in that they are sometimes supposed to be military strategists, administrators, economists and financial experts."—Appropriations Committee of the House of Representatives.

And, amid it all, we must endlessly insist upon a dollar's worth of defense for each and every dollar spent.

J. D. McEvoy Dir. Of McAndrew Co.

Announcement has been made by Alexander McAndrew, President of McAndrew & Co., Inc., Russ Building, that Jay D. McEvoy has been elected a director of the corporation. Mr. McAndrew stated that "Mr. McEvoy has purchased an interest in the business, in line with our policy of maintaining an owner-managed investment firm, whose officers and directors are active in the company." Mr. McEvoy has been with the investment firm since May, 1952.

The firm handles all security transactions for their customers on a "disclosed profit basis," including issues which the firm participates in as underwriters, and listed and unlisted stocks.

Manley, Bennett To Admit Two Partners

DETROIT, Mich.—Manley, Bennett & Co., Buhl Building, members of the New York and Detroit Stock Exchanges, on July 9 will admit Robert A. Benton, Jr. and John O. MacFarlane to partnership in the firm. Mr. MacFarlane is director of sales for Manley, Bennett & Co. Mr. Benton in the past was with S. R. Livingstone, Crouse & Co.

Securities Salesman's Corner

By JOHN DUTTON

Are You Overlooking an Opportunity in Municipals?

Many investors are unacquainted with the fact that due to the recent rise in money rates and decline in the price of high-grade, long-term bonds, that today good quality municipal bonds are offering a yield much more attractive than they can obtain in the conventional type of investments that they are now holding.

Many doctors, professional men with large earned incomes, or business executives in the higher brackets, are paying out from 50% upward on their income from investments in primary type reserve accounts, such as now pay from 2 to 2½%. When they get through paying their income tax the net return to them is negligible. Many of these uninformed investors have piled up substantial amounts of excess savings in these very low paying taxable investments. To them a 3% yield tax free is over twice what they can earn on equivalent security—or, in other words, it would take a return of 6% or better on a taxable investment to equal this net return on a good municipal bond available today on a 3% basis.

Times Change

It is important if you wish to successfully merchandise anything that you keep abreast of changing conditions. In the case of the securities markets, underlying fundamental conditions regarding bond prices and higher interest rates, can either present an opportunity to the alert dealer and salesman, or it might eventually become a liability. If higher interest rates on good bonds portend a decline in stock prices as has happened in the past, then it behooves the investor to protect his overall position by building up his fixed income type investments. Accounts that are balanced between good municipal bonds, high grade stocks, and diversified property should do well whichever way the wind blows. If, on the other hand, the possibility that a changing underlying situation in the securities markets is ignored, it is conceivable that some accounts may suffer depreciation in the next 24 months that could have been avoided.

New Accounts Are Possible

This attractive rate of return on municipals that is now available also opens the door to business that otherwise might be unobtainable. Take the case of the individual who has kept too large a percentage of his funds in low interest paying, primary reserve, savings accounts. Possibly he has done this because of his fear of investments in stocks. Or, he may have done so because it was convenient for him to continue to pile up excess capital in this form of investment. Or, it could be that he never was informed about the advantages of buying securities upon which he did not have to pay any income tax. Now it is possible to offer such an individual the highest form of safety, continuous income, convenience, and interest on his money substantially in excess of what he is now earning on a comparable investment.

An advertising campaign that points out the advantages of municipals is timely now. The story of today's municipals is a compelling one—you can do some of your stock buying customers a good turn by telling about today's opportunities in the attractive municipal bond market.

Dean Witter Appoints

TACOMA, Wash. — Announcement is made by Dean Witter & Co., that M. Earl McLaren, Jr. has been appointed Manager of their Tacoma, Wash., office, Rust Building. Mr. McLaren is a native of Seattle and following graduation from the University of Washington, he joined Dean Witter & Co. in their Seattle office. During World War II he was with the Boeing Company in Scotland where he worked on re-assembling and servicing of B-29's. Prior to his appointment as Manager of the Tacoma office, Mr. McLaren was an account executive in the Seattle office of Dean Witter & Co.

W. A. Edge Reg. Dir. For I. D. A. C.

MONTREAL, Canada — W. A. Edge, recently with the Royal Trust Company, has been appointed Regional Director of the Investment Dealers' Association of Canada in Montreal, succeeding K. B. Thomson, who retired due to ill-health.

I. D. A. C. Convention At Jasper Pk. in '54

TORONTO, Canada — The Investment Dealers' Association of Canada will hold its 1954 annual meeting June 9-12 at Jasper Park Lodge in 1954. It is planned to have a display of public relations material by members of the Association at the convention.

Reynolds Takes Over Erickson Perkins Office

ROCHESTER, N. Y.—Reynolds & Co., members of the New York Stock Exchange, on July 1 took over the offices of Erickson Perkins & Co. in the Powers Building as a branch office. Walter H. Baumer and Milton Holm, formerly partners in Erickson Perkins & Co., will be managers of the new office.

George H. Walker

George H. Walker, partner in G. H. Walker & Co. of St. Louis and New York City, passed away at the age of 79 after an extended illness. Mr. Walker was a well-known sportsman and was President of the United States Golf Association. He was the donor of the Walker cup for which American and British teams compete biennially.

With Hall & Hall

(Special to The Financial Chronicle)

FRESNO, Calif.—Earl G. Watson is now with Hall & Hall, Bank of America Building.

Monetary Management on Trial

By E. SHERMAN ADAMS*
Deputy Manager, Department of Monetary Policy
American Bankers Association

Mr. Adams states as basic principles in current monetary management: (1) Federal Reserve should permit credit conditions to tighten and interest rates to rise when inflation threatens; (2) the Federal Reserve should keep credit from expanding too rapidly, but not halt it completely; and (3) not allow level of interest rates to result in excessive earnings to banks and creditors. Holds overall policy of Federal Reserve in past two years has followed these principles and has been in the national interest. Discusses current problems of debt management.

Monetary management will play a leading role in the economic program of the Eisenhower Administration. Already it is moving toward the center of the stage of public attention and controversy. Let us examine the issues involved.

Dr. E. S. Adams

These questions are of vital concern to all bankers. Debt management and credit policies are major determinants of the level of interest rates and bond prices. They also exert an important influence upon commodity prices and business conditions.

Moreover, interest rates have been rising; and to the proponents of easy money, this means a golden opportunity to engage in their favorite pastime of lambasting the bankers. If there should be a decline in business activity, one can easily imagine how quickly the bankers would be blamed.

To bankers, of course, attacks of this sort seem ridiculous. But many honest citizens are confused by them. They have little understanding of these matters. To them the arguments of the demagogue do not sound at all implausible.

More is at stake than the public attitude toward banking. Monetary management is again on trial. Monetary policy is one of our most useful weapons for combating inflation. However, its survival and usefulness require the enlightened support of the public.

Bankers, therefore, have a public obligation, as well as a duty to themselves as bankers, to be sure that they understand current monetary developments and that they do what they can to contribute to public understanding.

This is no easy task. The subject is rather technical and there are many points on which the experts disagree. On the other hand, there are certain broad propositions on which most authorities are in agreement and which can be understood by nonexperts. Let us consider some of these essential points regarding monetary management that should be more widely known and understood.

Federal Reserve Policy

Let us look first at the general credit policy of the Federal Reserve System. In this area, I should like to present six basic propositions, as follows:

(1) The public welfare normally requires that the Federal Reserve should permit credit conditions to tighten and interest rates to rise when inflation threatens.

Although it is widely recognized that the chief aim of Federal Reserve policy is to help to prevent inflations and deflations, there is less understanding as to how the Federal Reserve actually achieves this objective. It is sometimes assumed, for example, that the Federal Reserve in some manner pushes up interest rates in order to discourage borrowing.

*Address by Dr. Adams before the First Conference of the Connecticut Bankers Association, New Haven, Conn.

The fact is, of course, that interest rates are the prices of different types of credit, and, like other prices, are determined by supply and demand factors. During a boom, the demand for credit increases; and interest rates, therefore, tend to rise. The extent to which they rise will depend largely upon the extent to which the Federal Reserve permits the supply of credit to expand.

Through its open market and discount operations, the Federal Reserve is the key factor on the supply side of the credit picture. Actually, therefore, changes in interest rates are largely a by-product of the intensity of the demand for credit and the policy of the Federal Reserve System in supplying the banks with additional reserves.

If credit is allowed to expand too rapidly during a boom, the effect is inflationary. By permitting credit conditions to tighten and interest rates to rise, the Reserve System can restrain credit expansion and thereby contribute to economic stability.

(2) For the past two years, the Federal Reserve has permitted credit to tighten somewhat and interest rates to rise in order to combat inflation.

Ever since 1946, there has been a strong tendency for credit to tighten and for interest rates to rise because of the tremendous demand for credit on the part of business concerns and individuals. Until after the start of the Korean War, the monetary authorities, for a variety of reasons, kept credit conditions generally easy. After the outbreak of war, they decided that inflationary pressures should be curbed by permitting credit conditions to tighten.

This was reflected, first, in short-term credit, and then, after the Federal Reserve-Treasury "accord" of March, 1951, in the longer term market. Since then, the Federal Reserve System has followed a consistent policy of permitting the strong demands of borrowers gradually to tighten the availability of credit, and this has inevitably resulted in rising interest rates. This policy has not been basically altered by the shift from a Democratic to a Republican Administration.

This does not mean, of course, that either the Democratic party or the Republican party or the Federal Reserve System is enamoured of high interest rates as such. It is to be expected that, regardless of the party in power, the Federal Reserve will reverse its present policy when the boom subsides and will permit credit to ease and interest rates to decline.

(3) The Federal Reserve has tried to keep credit from expanding too fast, but not halt it comletely.

Some critics of the Federal Reserve's policy have argued that it has been ineffective because it has not halted the expansion of credit. This argument reveals, at best, a lack of understanding.

Industrial production is now running about 20% higher than when the Korean War broke out. This reflects a very substantial rise in employment and business activity. Such an increase could not have taken place without some expansion in the volume of credit. If the Federal Reserve had completely halted the growth of credit, it would have impeded the rearmament program and stifled the expansion of employment and production.

It should also be noted that if the Federal Reserve had not permitted the banks to obtain some additional reserves during this period, the enormous demand for credit would have resulted in very tight money conditions, and interest rates would have risen much faster than they actually have. In other words, while the Federal Reserve has permitted interest rates to rise somewhat, its policy has nevertheless resulted in keeping rates "artificially" low.

(4) Viewed in historical perspective, interest rates are still relatively low for this stage of the business cycle.

Interest rates today appear high only in comparison with the very low rates which developed during the decade of depressed business preceding World War II. It was an historical accident that these low rates happened to exist at the time of Pearl Harbor and were therefore used as the basis for the low pattern of rates adopted for the Treasury's wartime financing. When we emerged from the war with a vastly swollen public debt, there was a strong reluctance to permit rates to rise in spite of their inflationary effects.

This largely explains why interest rates are still so low in comparison with other boom periods. Despite more than a decade of almost uninterrupted business boom—the biggest in our history—almost all interest rates are substantially lower than during previous booms. For example, lending rates of banks in principal cities last year averaged about 3½%, as compared with an average of more than 6% for 1919-20 and more than 5½% for the entire decade of the twenties.

(5) The present level of interest rates does not result in excessive earnings for banks and other creditors.

The demagogues are already howling that banks and other lenders are making "exorbitant profits" as a result of the rise in interest rates. This, they say, is a "bare-faced steal" from the pockets of debtors and taxpayers.

One would hardly call this an objective appraisal. The fact is, of course, that low interest rates benefit borrowers but only at the expense of savers and other lenders. For about two decades, borrowers have never had it so good but savers have never had it so bad.

Last year, despite the improvement that had taken place in interest rates, leading life insurance companies reported an average return of only 3.28% on their invested assets, compared with 5.07% for the 1920s. It is apparent that the long period of low interest rates has increased the cost of life insurance and of private pension plans. It has also seriously reduced the income of endowments, trust funds, hospitals, colleges, and universities.

As far as the commercial banks are concerned, tighter money is not an unmixed blessing. It has restricted the growth of the banks' loans and investments. It has also caused substantial losses and depreciation in their investment portfolios. The reserve requirement increase of 1951 cost them the use of about $2 billion of their assets.

It is in the public interest, of course, that the commercial banks should be able to earn reasonable profits and pay decent salaries to their employees. Judged by this standard, the earnings of many banks have long been inadequate and still are.

During recent years, there has been an unprecedented expansion in the volume of bank loans at rising interest rates; but most of the increase in bank earnings has gone to pay for greatly increased costs of banking operations. Net profits of all member banks amounted to 8.3% of capital accounts in 1950, 7.6% in 1951, and about 8% in 1952.

These figures, indeed, reflect cause for serious concern over the earnings position of the banking business. At this stage of the business cycle, with loans at record levels, the banks should be showing really good earnings. If 8% on capital is the best the banks can earn at such a time, what will their position be when the abnormal demand for bank credit subsides and interest rates again decline?

This situation is reflected in the hard-headed judgment of the market place. While the stock market has been generally rising for many years, bank stocks have been conspicuously laggard.

Even today, most bank stocks are quoted at less than their book values. It is clear that the investment market, at least, has no illusions about the alleged excessiveness of bank earnings. Its verdict is that most banks are worth more dead than alive.

(6) Although certain details may be debatable, the overall policy of the Federal Reserve over the past two years has been in the national interest.

On a subject like monetary management, there are always differing views. Often, however, differences are largely a matter of emphasis or degree. Some think that Federal Reserve policy should have been somewhat more restrictive; others, somewhat less. One expert will tell you that there should have been more emphasis on selective controls. Another will expound why the discount rate should have been raised a few months sooner. And so forth.

These differences of opinion are probably encouraged by the Federal Reserve's traditional reticence about explaining what it is trying to do and why. At the present time, for example, the Federal Reserve is reported to be employing an instrument of credit policy which is seldom discussed; namely, moral suasion with individual banks. In recent months, at least some of the Reserve Banks have apparently been having more and more conversations with borrowing member banks.

This naturally raises the question as to what criteria the various Reserve Banks are applying. Another question is whether this potentially powerful instrument of credit regulation should be exercised in such a seemingly haphazard manner with so little policy guidance from the Reserve Board.

There are also several debatable points in the recent address of the chairman of the Reserve Board at Detroit. This speech seems to go a long way toward absolving the Reserve System from responsibility for credit conditions in the long-term capital market, except for the correction of a badly disrupted situation. However, in view of the inevitable relationships between conditions in the short-term and in the long-term credit markets, the chairman may have been oversimplifying his presentation in order to emphasize the increased degree of freedom of the long-term market from Federal Reserve, if not from Treasury, influence.

The chairman's remarks have raised the question in some people's minds as to whether the Federal Reserve might some day permit a really tight money situation to develop as a result of an extreme nonintervention policy. However, the actual record of Federal Reserve actions in recent years, taken as a whole, does not augur any such dangerous inflexibility of policy. As long as the Federal Reserve has effective control over the volume of bank reserves, it is difficult to see how it could seek to avoid responsibility for cerdit conditions under the guise of "neutrality." As Hawtrey once observed, money does not regulate itself. Surely the Reserve System did not regain its independence simply to become a bystander.

Despite these points and others, the great majority of economists would be in agreement that the record of the Federal Reserve System over the past two years has geen generally good. They would certainly agree that the overall policy of permitting credit to tighten and interest rates to rise has been in the national interest.

Debt Management

Let us now turn to debt management. In the interest of brevity, let us restrict our attention to the aspect of paramount interest at this time; namely, the maturity problem.

This subject is vitally important to all bankers and other investors. Although many of them may not yet appreciate the fact, the Treasury's financing policies have now become the key factor in the long-term capital market. Henceforth, one cannot formulate an intelligent judgment with respect to the outlook for any part of the bond market without an understanding of the Treasury's philosophy of debt management.

In this area, there are five propositions that I should like to present, as follows:

(1) The structure of our vast public debt and the financing policies of the Treasury have far reaching effects upon economic conditions.

The national debt now constitutes almost half of all private and public credit outstanding. The composition of the debt and the distribution of its ownership are bound to have important economic consequences.

For one thing, they affect the size of the money supply. To the extent that nonbank investors do not supply the Treasury's needs for funds, the Treasury must rely upon the banking system for the balance. An increase in bank holdings of Treasury securities tends to cause a corresponding increase in the volume of bank deposits. Hence, an excessive concentration of the debt in the banks reflects an inflationary danger.

Bankers, incidentally, have shown real statesmanship and public-spiritedness in their long record of cooperation with the Treasury on this problem, even though it has meant reduced deposits and investments for the banks.

Another impact of debt management is on the flow of savings into private investment. Whenever the Treasury enters the market for long-term funds, it is competing with other would-be borrowers for the available supply of savings. Being the nation's largest borrower, its financing policies may at times exert a major influence upon private expenditures for housing and for plant expansion.

(2) The Treasury is now confronted with a set of extremely difficult and urgent problems—particularly the heavy concentration of the debt in short maturities.

At the present time, more than $200 billion of Treasury obligations, about four-fifths of the entire public debt, are redeemable on demand or due within the next five years. To make matters worse, this enormous refunding problem exists at a time when the Treasury must borrow a sizable amount of new money. In addition, market conditions are about as unfavorable as they could be.

In these circumstances, the Treasury must move with caution. If it were to issue large quantities of long-term bonds, it might demoralize the capital markets and initiate a downturn in business. At the other extreme, it cannot indefinitely do all of its financing at short-term without risking serious inflationary consequences.

(3) *Although there is general agreement that the debt should be lengthened, the problems involved are so complex that there is considerable variety of opinion, even among the experts, as to just how the Treasury should proceed.*

There is obviously no easy formula for determining just what the Treasury should do. Its problems are unprecedented in their magnitude and complexity. One basic question is the extent to which our economy needs, or can stand, deflationary treatment at this particular time. Another is to appraise how much deflationary effect a given amount of Treasury financing has upon the economy.

One school of thought maintains that it would be better to wait until there is greater assurance of a steady or rising trend of bond prices as a background for a long range funding program. It is also pointed out that when short-term interest rates decline, it will be much easier to lengthen out the maturity of the bank-held debt.

On the other hand, what if the private demand for credit remains strong for some time? With every month that passes, the maturity problem becomes increasingly acute. It is small wonder that there are differences of opinion as to what should be done.

(4) *The Treasury's recent offering of $1 billion of long-term 3¼% bonds reflected a courageous decision to make a modest start toward achieving a better debt structure.*

The word "courageous" is justified, it seems to me, because of the political risks involved in this decision. Already some people are trying to make political capital out of the fact that the Treasury has now sold some long-term bonds at the highest interest rate it has paid since 1933.

They conveniently ignore the fact that the higher level of interest rates has been developing over a period of several years. They conveniently ignore the fact that the differential in cost between short-term and long-term borrowing is much smaller today than during the '30's and during the war years. They conveniently ignore the fact that the Treasury sold vast quantities of long-term bonds during those periods, not only at a higher differential cost but in many cases at a higher actual net cost, taking taxability and tax rates into account. In fact, they deliberately distort the entire picture in an irresponsible attempt to conjure up a conspiracy of "moneyed interests" against the public.

Moreover, sooner or later there are bound to be some downward readjustments in our economy after more than a decade of almost uninterrupted boom. By its rather dramatic action in selling long 3¼s, the Treasury has made itself a natural target for political attack when that time comes.

Yet, the magnitude of the Treasury's funding program so far —$1 billion plus—is small, relatively speaking. It represents only a fraction of the amount of debt funding that the Treasury must do every year just to prevent its debt maturities from becoming progressively shorter and shorter. Like the Red Queen in "Through the Looking Glass," the Treasury must do a lot of running just to keep in the same place. By any measure, the new issue is no more than a modest beginning toward the reconstruction of the debt.

(5) *Only time will tell whether or not the Treasury's new funding program is well timed.*

No one can say today with certainty whether the Treasury's recent offering was well timed because no one knows what the future holds. It can be said that the Treasury's action is at least consistent with the Federal Reserve's moderately restrictive credit policy. On the other hand, the effects of Treasury financings are probably longer delayed and less easily reversible than is the case with Federal Reserve policies. Their advisability can be less easily appraised on the basis of current and foreseeable conditions.

Conclusion

In conclusion, it should be emphasized that neither Federal Reserve policy nor debt management can guarantee the stability of our economy. Both can help, if wisely administered. On the other hand, there are many other factors which may have far greater effect upon economic stability — international developments, the actions of consumers, budgetary policies, labor policies, agricultural policies, and the like. We should be careful, therefore, to avoid relying on monetary policies too heavily. Similarly, we should refrain from assigning to these policies either too much credit for their contribution to stability or too much blame for causing instability.

In short, circumstances have conspired to place monetary management once again on trial at the bar of public opinion. It is important for the future of America that this trial should be fairly judged. It is a unique responsibility of bankers to contribute to an intelligent verdict.

Reuther's Program to Maintain Full Employment

CIO Chief calls for creation of 2 million new jobs each year, along with $16 billion increase in goods and services produced.

In a statement on "Peacetime Economic Prospects," issued on June 21, Walter P. Reuther, President of the Congress of Industrial Organization, asserted America must create 2 million new jobs each year through 1956 to avoid a serious economic downturn.

Walter P. Reuther

Citing "population—productivity—planning" as three key factors in the nation's prospects for full employment, Mr. Reuther said the country's economy must find ways of increasing its output of goods and services by $16 billion a year to insure jobs for every person willing and able to work.

Such an increase in output and services must be accompanied, the CIO president said, by a rise in the average income for every man, woman and child to about $1,760 in 1956—a per capita rise of $265 in the next three years. This is an opportunity to "lift America to new standards of family living."

The CIO study indicates that full employment can be maintained only if the national output of goods and services is raised from the 1952 level of $346 billion to a 1956 figure of approximately $410 billion.

As means of maintaining prosperity when defense spending tapers off, Mr. Reuther proposes the following "obvious" steps:—

(1) Narrowed profit-rate margins in the sound American democratic tradition of high output, low per-unit costs, low per-unit profits, and fair and substantial returns on capital investment.

(2) The gap of the past few years between lagging wages and rising productivity must be quickly closed. Wage increases generally in excess of current productivity increases are necessary and possible.

(3) Reductions in personal income taxes to relieve the tax burden and to increase the buying power of America's great mass market, millions of lower- and middle-income families.

(4) A constant sharing with consumers, through price reductions, of the benefits achieved by corporations through reduced business tax rates.

(5) In addition, a full scale attack on poverty by governmental programs to aid directly the lower- and middle-income groups. Such steps would include (a) lifting the minimum wage under the law from the present 75 cents to $1.25 an hour; (b) implementing the tax policy listed above; (c) raising social security benefits and improving social security coverage; (d) rapidly accelerating slum clearance and lower-cost housing programs; (e) establishing a governmentally-sponsored health program that will, for the first time, bring adequate medical care to millions to whom at present it is an unattainable luxury; (f) and instituting a series of other programs, both public and private, to gear America and American thinking to the concept of abundance rather than scarcity.

"The additional buying power derived from programs such as these," Mr. Reuther adds, "would result, directly or indirectly, in the creation of a vast new reservoir of consumer buying power. The only foundation for stabilized prosperity and full employment in peacetime is composed of decent wages and salaries, of decent incomes for farmers and small businessmen, and a fair return on invested capital.

"This is an economic crusade in which every American, regardless of political party or economic status, must take part, for it is a crusade to save America from a depression which would directly affect the welfare of every American. There is a challenge to industry, to labor, to government, to professional people and farmers to cooperate in programs—private and public—that will lift America to new standards of family living."

A. G. Edwards Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—James W. Vosburgh is now affiliated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Slayton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Edward B. Kennedy has been added to the staff of Slayton & Co., Inc., 408 Olive Street.

Joins Southern Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—William E. Ferrell, Jr. is now associated with Southern Investment Company, Inc., Johnston Building.

With Craig-Hallum

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—James A. Struthers is with Craig-Hallum, Inc., Rand Tower.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

In considering fire and casualty insurance stocks from the standpoint of investment position, it is especially important to emphasize the cyclical character of the underwriting phase of the operations.

For this reason, it is necessary, probably to a greater extent than in most other forms of business, to adopt a long range point of view with respect to these securities.

The fire and casualty insurance business is characterized by alternating periods of profitable and unprofitable underwriting operaions. Losses and the structure of rates are the determining factors in underwriting experience at any particular time. Rates, however, are adjusted periodically on the basis of previous experience.

In other words where underwriting has been particularly profitable, it is almost certain that premium rates will be adjusted downward. Conversely, where an important line has been unprofitable, an increase in rates is assured.

The time factor involved in these rate adjustments are important and undoubtedly accentuate the cyclical character of the underwriting. When losses are rising and underwriting is becoming increasingly less profitable, rate adjustments lag behind and, in general, never quite compensate for the costs incurred. At the same time when the pattern changes, this same time lag tends to favor underwriting operations.

Therefore in viewing the underwriting experience of an insurance company, a period of years is required. Five years are sometimes sufficient, yet ten years are a better measure of the abilities and policies of a particular company. Certainly the experience of one year should not be used as the only measure of the relative investment position of a particular institution.

A disastrous fire or a severe windstorm may significantly alter the experience of a particular year. Yet the forces at work equalizing losses and rates and allowing a reasonable rate of return, will prevail over a period of years.

In this connection, it is interesting to review the results of 1952 as compared with the average of the past five and ten years.

	Net Operating Earnings		
	1952	1948-1952 Average	1943-1952 Average
Aetna Insurance	$5.96	$7.07	$5.20
American Insurance	2.54	2.83	2.28
Boston Insurance	3.43	2.91	2.21
Continental Insurance	5.78	5.76	4.52
Federal Insurace	8.43	7.92	6.15
Fidelity-Phenix Fire	6.04	6.07	4.74
Fire Association	7.97	7.45	5.13
Fireman's Fund	4.07	5.02	4.52
Firemen's Ins. (Newark)	4.14	3.86	2.71
Glens Falls Insurance	6.12	6.25	5.20
Great American Insurance	3.30	3.71	2.73
Hanover Fire	5.43	5.01	3.25
Hartford Fire	11.43	13.82	10.08
Home Insurance	3.40	3.87	3.02
Insurance Co. of North Amer.	7.43	6.49	4.70
New Hampshire Fire	5.75	5.76	3.68
Phoenix Insurance	9.57	8.50	6.07
St. Paul Fire & Marine	2.70	2.72	2.12
Security Insurance	3.27	5.09	3.03
Springfield Fire & Marine	5.60	5.94	3.92
United States Fire	3.50	4.07	3.07
Westchester Fire	2.21	2.51	1.88

The above figures include investment earnings as well as underwriting results. When it is realized that investment earnings of many of the above companies are 25%-50% higher than in 1948 and over 100% above the lead of 1943, the year 1952 was not particularly outstanding from the viewpoint of underwriting operations.

For example, investment income of the Insurance Company of North America in 1952 was 49.2% higher than in 1948 and 145.4% above 1943. Obviously, a large part of any increase in earnings realized in 1952 over the five or ten year averages is due to the gain in investment earnings.

With costs tending to stabilize and a better rate structure prevailing on certain automobile risks, it is hoped that underwriting experience for the industry as a whole will be more profitable over the next several years.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The National City Bank of New York announces the appointment of Richard V. Banks and Hugh C. Brewer, Jr., as Assistant Cashiers. Mr. Banks is associated with the Transcontinental Banking Service Department and Mr. Brewer is assigned to the Metropolitan Group of the Bank's Domestic Division.

* * *

Irving Trust Company of New York announced on June 25 the promotion of Hugh M. Marsh, Jr. Vice-President, to Assistant Head of the Company's Branch Office Division. Formerly Vice-President in charge of the Woolworth Office, he will be located at the Company's Headquarters at One Wall Street. Edwin M. Smith, Vice-President, has been named Vice-President in charge of the Woolworth Branch Office. Mr. Smith, who represented the Irving in New England for many years, has been a senior officer of the Woolworth Branch since 1951.

* * *

The Lincoln National Bank and Trust Company of Syracuse, N. Y. is offering its stockholders the right to subscribe to 30,000 shares of the bank's $10 par value capital stock at $23 per share in the ratio of one additional share for each four shares held on June 25. Salomon Bros. & Hutzler have agreed to purchase any unsubscribed shares after the warrants expire on July 16. **The Industrial Bank of Central New York at Syracuse**, merged with Lincoln effective June 26 bringing the total number of Lincoln branches to four. Giving effect to this financing capital funds of the bank will total $5,150,000.

* * *

Edward L. Clifford, President of the **Worcester County Trust Company, of Worcester Mass.**, announced that at a meeting of the Board of Directors on June 23, Herbert V. Lindsay, Jr. was promoted to the position of Trust Officer and Assistant Treasurer. Mr. Lindsay has been associated with the Worcester County Trust Company since 1948 and was elected Assistant Trust Officer in January of 1951. He is in charge of the Tax and Operating Divisions of the Trust Department. Before joining the Worcester County Trust Mr. Lindsay was associated with the Equitable Security Trust Company of Wilmington, Del., for nine years. During World War II he served four years with the United States Navy. He is presently attending the Graduate School of Banking at Rutgers University.

* * *

George L. McCloud, retired Vice-President of the former **Savings Investment & Trust Co., of East Orange, N. J.**, now one of the **National Newark & Essex Banking Co.** branches in that city, died on June 14. He was 66 years old, said the Newark "Evening News" of June 16, which also noted that he was a former President of the Essex County Bankers' Association, and a former member of the Bond Club of New Jersey.

* * *

Henry Griffith Parker, a retired banker and industrialist, of New Brunswick, N. J., died on June 21. He was 86 years of age. In a sketch of his career special advices to the Newark "Evening News" of June 22 said in part:

"Mr. Parker was President and later Chairman of the board of the **National Bank of New Jersey** (at **New Brunswick**). He was a former President of the New Jersey Bankers Association and was Chairman of the board of Interwoven Stocking Co. since its founding in 1905.

"Born in New Brunswick, he was graduated from New Brunswick High School in 1885. He immediately became a clerk in the **Ninth National Bank of New York.**

"In 1892 he returned to New Brunswick as paying teller of the National Bank. He became Cashier in 1894 at the age of 28, and was hailed as the youngest in the state to attain such a post. He was elected a bank director soon afterward.

"Mr. Parker became President of the bank in 1908, serving until 1932, when he was made Chairman of the Board. He served in the latter capacity until his retirement in 1949. He was an organizer of the New Jersey Bankers' Association and was President from 1907 to 1908."

* * *

Charles Van Mater, President of the Board of Directors of the **Atlantic Highlands National Bank of Atlantic Highlands, N. J.**, died on June 20. He was 90 years old. A staff correspondent of the Newark "Evening News" reports:

"Mr. Van Mater was a former member and President of the Atlantic Highlands Board of Education and a former member of the Atlantic Highlands Borough Council. He was a past President of the Monmouth County Bankers' Association and a former member of the New Jersey Bankers' Association."

* * *

At a regular meeting of the Board of Directors of **The First National Bank of Philadelphia** on June 25, L. Y. Greene was elected a member of the board. Mr. Greene is the President and a director of General Refractories Co. with its principal office in Philadelphia, and various plants in this country and Europe. At the same meeting, Dr. Gaylord P. Harnwell was also elected a director of the bank. Dr. Harnwell is the newly elected President of the University of Pennsylvania. He has been a member of the faculty of the University since 1938. During the war he was with a division of the National Defense Research Committee which had a budget of some $15,000,000 a year, which he handled. He was granted a leave of absence from the University 1942 to 1946 to act as director of University of California Division of War Research, U. S. Navy Radio and Sound Laboratory, San Diego, Calif.

* * *

The First National Bank of Smithton, Pa., with common capital stock of $100,000 was placed in voluntary liquidation as of May 29, having been absorbed by the **First National Bank of McKeesport, Pa.**

* * *

According to the Philadelphia "Inquirer" of June 24 D. E. Hosbach was elected President of **National Bank of Malvern at Malvern, Pa.**, to succeed Paul C. Kerk, who resigned. Mr. Hosback has been Executive Vice-President of the bank since 1951.

* * *

The shareholders of **La Salle National Bank of Chicago, Ill.**, at a special shareholders' meeting on June 24, approved an increase in the capital stock of the bank by the issuance of 20,000 additional shares. Approximately 86% of the present outstanding shares were represented in person or by proxy. A circular giving general information about the bank and the new issue and warrants for full and fractional shares were mailed to all shareholders of record at the close of business, June 24. This new stock is being offered on the basis of one new share for each four shares held. The subscription price for the new shares is $40 per share. Warrants expire, unless exercised by July 24. The Illinois Company, investment bankers has agreed to purchase any unsubscribed shares. The action of the shareholders will increase the bank's capital account from the present $2,000,000 to $2,500,000. Surplus will be increased from $1,600,000 to $2,000,000 by the $300,000 premium on the sale of new stock, and the transfer of $100,000 from undivided profits. An earlier item bearing on the proposed increase in capital was given in our June 18 issue, page 2653.

* * *

The issuance of a charter on June 17 for the **National Bank of Albany Park in Chicago, Ill.**, was announced June 22 by the Office of the Comptroller of the Currency at Washington. The bank is chartered with a capital of $350,000, and surplus of $150,000. The officials under the primary organization are reported as Stanley H. Wolff, President, and Niles S. Jacobson, Cashier.

* * *

An offering of 6,307 shares of the common stock of the **Manufacturers National Bank of Detroit, Mich.**, has been completed at an offering price of 58½ by an underwriting group of 21 investment dealers, co-managed by First of Michigan Corporation and Watling, Lerchen & Co. These shares represent stock acquired by the exercise of rights, purchased by the underwriting group together with 480 unsubscribed shares out of a total of 60,000 shares offered to stockholders June 9, at $50 per share on the basis of one share for each five held at the close of business on that date. These rights expired on June 23. Details of the plans for the new capital stock increase appeared in these columns June 18, page 2653.

* * *

The **First National Bank of Lamesa, Texas**, reports a capital of $225,000, the amount having been increased from $200,000 by the sale of $25,000 of new stock.

* * *

An 80,000 share capital stock dividend to the stockholders of **Crocker First National Bank of San Francisco**, proposed by the directors on May 14, was approved by stockholders at a special meeting on June 25. The dividend, to be distributed at the rate of one share for each three held, is payable July 3 to stockholders of record June 25. Fractional shares of the capital stock will not be issued; instead, the shareholder will receive a check for the fair market value as of June 25, the date of approval of the stock dividend by the shareholders. The Comptroller of the Currency has indicated that he would approve this dividend, following a favorable decision of the stockholders. More than 92% of the outstanding stock voted affirmatively. A favorable vote of only two-thirds was required. Following approval by the Comptroller of the Currency, which is expected on or about July 3, the capital of the bank will be raised from $6,000,000 to $8,000,000 by increasing the amount of capital stock from 240,000 to 320,000 shares. Par value of $25 per share remains unchanged. At the same time, $2,000,000 will be transferred from surplus to undivided profits and a like amount from undividede profits to capital, after which capital will be $8,000,000; surplus $17,000,000, and undivided profits approximately $3,500,000. An item bearing on the proposed capital increase appeared in our May 21 issue, page 2226.

* * *

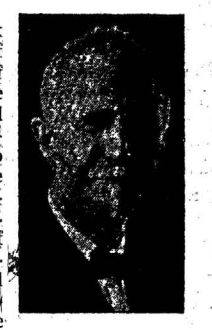
A. L. Lathrop, director and a past Vice-President of **Union Bank & Trust Co. of Los Angeles, Cal.** died on June 20 at the age of 70, following a heart attack while en route home from a convention in Coronado, Cal., where he had appeared as a featured speaker. A native of Appleton, Minn., Mr. Lathrop before locating in Los Angeles in 1915, was engaged in the railroad and lumber business in the middle west, the east, and in northern Mexico. Continuously connected with the banking and trust business in Los Angeles since 1915, he became associated with the Union Bank & Trust Co. in 1918, organizing its trust department and later being named a member of the bank's Executive Committee and participating in commercial administrative activities of the bank. Mr. Lathrop was elected a director of the bank in 1921 and served in that capacity until his death. Following his retirement as Vice-President of the bank in December, 1950, he served as Vice-President and director of the Del Amo Estate Company, of which he had been a director for a number of years. Mr. Lathrop also served on numerous committees of the California Bankers Association, and as its President in 1935-36; was active on many committees of the American Bankers Association. At various times he also served as Chairman of the Independent Bankers Association of the 12th Federal Reserve District; and was also active in the Red Cross and Community Chest; etc.

'Enemy No. One'

By ROGER W. BABSON

In calling attention to weight as item in transportation costs, Mr. Babson contends, if weight could be reduced 85%, cost of living would tumble 70%. Predicts some control of gravity in future, which will revolutionize manufacturing, transportation and distribution. Tells how anti-gravity alloys will work to reduce weight.

Enemy number one is not Communism or any other "ism." Enemy number one is WEIGHT. I don't refer to your weight or my weight. We all can control this by the simple method of eating less, and thus avoiding "second-helping-itis." Instead, I am referring today to the cost of transportation, amounting to over 100 billion dollars a year, of which I estimate 80% is due to the WEIGHT of goods and not to the labor and other costs.



Roger W. Babson

Whatever we eat, wear, or use as a home starts from the forests, mines or farms. At these points of origin the costs are very low. For instance, standing timber sells for $2 per cord; coal in the mine sells for $1 per ton; and a bushel of wheat on the farm for only about $2. We pay 10 times these costs after they are transported to our home or breakfast table. If weight could be reduced 85% I believe the cost of living would tumble 70%.

This brings me to my hobby of Gravity which is the cause of this wasteful weight. Thus far no insulator, absorber, or reflector of Gravity has been discovered, but this will be accomplished someday. All other forces, such as light, sound, fire, odor, electricity, magnetism, x-rays and even atomic rays can be shut off. Metallurgists will soon discover a means of partially insulating or reflecting Gravity waves. This discovery will revolutionize manufacturing, transportation and distribution.

Nothing to Worry About

Some people fear that if we interfere with Gravity they would rise to the ceiling of the room or, if out-of-doors, disappear in the skies. There is absolutely no danger of this. The same fears were expressed when our first ancestors discovered fire and later when Franklin tried to harness lightning. When a partial insulator or reflector of Gravity is discovered it can be controlled as well as fire or electricity or atomic rays. Furthermore, this can be accomplished safely whether the Gravity waves come from the sky and push us down, or come from the earth and pull us down.

The Gravity Research Foundation of New Boston, N. H., tells me that such an insulator would not reduce our weight if used for shoe soles or stair treads. In order to take advantage of such a partial insulator or reflector we must be wholly encased as if we were in a sealed coffin and this wouldn't do us much good! This is another reason why no one need fear the control of Gravity. We should rather fear the lack of control of our appetites! To us, starches may be more dangerous than Gravity.

How Anti-Gravity Alloys Will Work

As indicated above, there is little hope for reducing the weight of automobiles, trucks or even freight cars. But there is real hope for reducing the weight of their **contents**. One of the early developments will be hermetically sealing truck trailers with an anti-gravity alloy. This same principle will be used to reduce the weight of trunks and suitcases. I believe that Russian scientists are now desperately at work to discover a Gravity reflector to very much lessen the weight of the packs which all soldiers carry on their backs. Think what this would mean to the nine million of our own boys. Readers will think of other illustrations but remember that only the enclosed contents can be de-weighted.

Of course the greatest boom would take place in connection with the airplane. Why the government and airplane manufacturers do not give the subject more serious consideration is beyond my comprehension. The engineers answer me by saying they are "too busy with other things to bother about Gravity." My reply is that 40 years ago when the Goodyear Company was making lighter-than-air dirigibles and I asked why they did not help the Wright Brothers in making heavier-than-air airships, they gave the same reply: "We're too busy." All of which reminds me of what Thomas Edison said to me shortly before he died: "Babson, we don't yet know anything. The young people now graduating from schools and colleges have far greater opportunities than we ever had if they will only work, save and study."

With Merrill Lynch Staff

(Special to The Financial Chronicle)

RALEIGH, N. C. — William K. Tate has been added to the staff of Merrill Lynch, Pierce Fenner & Beane, 324 South Salisbury St.

With Ball, Burge, Kraus

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Don W. Mead has become affiliated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Cautions Against Excessive Building of Office Structures

Leo J. Sheridan, Chairman of L. J. Sheridan & Co., real estate managers, tells real estate owners "it is clear that in many cities we have reached point where caution should be exercised to avoid overbuilding.

At the conclusion of an address on "Intensive Space Utilization," delivered before the National Association of Building Owners and Managers in Pittsburgh, Pa., on June 11, Leo J. Sheridan, Chairman of L. J. Sheridan & Co., a real estate management and financing concern, Chicago, Ill., warned building owners that in many cities "it is clear we have reached the point where caution should be exercised to prevent over-building."

Leo J. Sheridan

"The great expansion of the American economy since the depth of the depression," Mr. Sheridan stated, "has been reflected in most cities by the amount of office space absorbed during that period rather than by the amount of new office building construction. Chicago's experience may afford an interesting example. In spite of the fact that there has been no large office building construction in Chicago since 1934 until the contracts were let on the Prudential Building, the growth in Chicago's commercial activity has been a phenomenal one—and it had to be to result in the present occupancy of somewhat better than 97%. In the middle 1930's vacancies in Chicago office buildings approximated 8,800,000 square feet, equivalent to the total rentable area of 22 buildings the size of the 50-story One La Salle Street Building. The total vacancy today of Chicago office buildings totals approximately 800,000 square feet.

"The expansion of Chicago's industry and commerce has accounted for the equivalent of more than 20 50-story buildings in the last 15 years. In addition, several buildings have been converted from other uses to office and multiple occupancy use. The outstanding example in Chicago is the State-Madison Building which provided approximately a million square feet of space for office, display and loft purposes that had formerly been devoted by the Boston Store to department store use.

"While there does exist in Chicago, New York and a few other cities a demand for additional space, it is clear that in many cities we have reached the point where caution should be exercised to prevent over-building. Those members of the Association who have lived through the depression years — years which were entered by the industry with a surplus of space that grew rapidly as the downward trend of business continued — are particularly sensitive to the relationship which exists in this industry between rental rates and excessive vacancies. Another large overproduction of space will again exert a depressing influence on rental rates irrespective of higher construction and operating costs.

"It has taken years of business expansion and increased occupancy to restore the industry to reasonably sound economic health. We who are responsible for preserving the gains made and for protecting the large investments of the interests we represent have no greater obligation than that of exerting such influence as we may to prevent new construction beyond the capacity of American industry and commerce to absorb it."

Continued from page 2

The Security I Like Best

worth of stock free with each $750 purchase of the old bonds at a current market price of 75.

Wisconsin Central is about the last of the undervalued "golden opportunities" to make money with minimum risk in reorganization railroads. Salient points of current interest in this situation are as follows:

The Plan was approved by the District Court on April 18, 1953, and balloting by security holders should be effective shortly.

Under the Plan, each Superior & Duluth Div. 4% 1936 bond will receive:

1st 4% mtge. bond	$150.00
4½% income bond	550.00
Cash	30.75
Common stock (shares)	10.14

Each 4% 1959, refunding bond will receive:

1st 4% mtge. bond	$150.00
4½% income bond	1,000.00
Cash	51.00
Common stock (shares)	5

In the last fourteen years, Wisconsin Central has added to its working capital position, while at the same time expending huge amounts for equipment, additions and betterments.

Today it has over $6,000,000 cash, and $10,000,000 current assets.

The Company operates 1,051 miles of trackage, with valuable docks and terminals at Superior and Duluth. It provides the Canadian Pacific with its only entrance into the United States. It is only obvious that the tremendous internal expansion now taking place within the Dominion of Canada, with the huge increase in railroad transportation movement, now makes Wisconsin Central a far more important and vital cog to Canpac than ever before. Canpac's lines are extended into the United States by way of the Soo Line connecting with the Wisconsin Central in the City of Chicago, the greatest of all railroad centers of the world.

New capitalization set up by the ICC will be:

Equipment obligations	$ 3,000.000
1st mortgage 4s	14,706,900
Gen. mtge. 4½% inc.	20,441,000
Com. stk. (208,000 shs.)	20,800,000
Total	$58,947,900

The charges will be:

Equipment & rentals	$ 130,000
Interest on 1st 4s	588,276
Interest on 4½% inc.	919,845
½% sinking fund	175,740
Total	$1,813,861

On a pro forma basis, the new common would have earned almost $6.00 per share in 1952. Net operating income for April, 1953, of $323,106 from a gross of $2,800,900 was far above the $133,315 of a year ago from a gross of $2,478,600. For the first four months of this year, net operating income was $1,115,600, or more than double the $525,800 of the same period of last year. Gross for the four months this year was $10,776,686 against $10,133,245 for the same period last year.

The rental charged for hire of equipment in my opinion has been too high: $1,529,350 in 1950; $1,824,393 in 1951; $1,602,056 in 1952;

TWELVE YEAR RECORD
(Millions of Dollars)

	Operating Revenues	Net Ry. Oper. Income	—Adjusted— Total Charges Inc. ½% Sink. fd.	Net inc. Applic. to Com. Stock
1941	$16.4	$3.0	$1.8	$1.3
1942	20.0	3.8	1.8	2.1
1943	21.8	3.3	1.8	1.6
1944	22.2	2.8	1.8	1.1
1945	21.3	1.6	1.8	0.1
1946	22.6	2.8	1.8	1.1
1947	26.4	3.5	1.8	1.8
1948	29.7	4.0	1.8	2.3
1949	26.2	2.1	1.8	0.4
1950	29.4	3.5	1.8	1.8
1951	30.9	2.1	1.8	0.3
1952	31.2	2.8	1.8	1.1

and in the first three months of 1953 it reached $424,207. The Company owns 5,734 freight cars, and these charges are entirely far above what they should be in view of the size of the Wisconsin Central. It is known in railroad circles that absentee landlordism always results in higher debits in hire of car account against the controlled company in favor of the controlling company. This should work out to the advantage of the Wisconsin Central when a new lease is made by the new Company, which will tend to further improve the earnings of the Company.

Obviously, repairs to locomotives, freight, and passenger cars for 1951 and 1952, totaling $4,332,629 and $4,014,362 respectively, and in the first three months of 1953 the sum of $1,384,196 is entirely too high. When the new Company takes over, they can effect certain economies which should help earnings. In my opinion, there is no reason why Wisconsin Central cannot pay as much as $5.00 per year in dividends out of its potential earnings on its new common stock, and therefore the stock should command a price of at least $50.00 per share.

In 1953, railway revenue should be over $32,000,000. Gross income available for all purposes should be around $3,800,000. With fixed and contingent interest and sinking fund of $1,813,861, this would leave $2,000,000 available to the 208,000 shares common outstanding or close to $10.00 per share earnings.

I believe the time may come when Canadian Pacific will find it very desirable and highly profitable to acquire 100% control of the Wisconsin Central Railway, its only entrance into the United States. The small amount of new stock to be outstanding could even command a premium over its investment value because of scarcity in the floating supply.

Therefore, the security I like best is this rail common stock which can be obtained for nothing (financing is necessary, of course!!) by buying the old outstanding bonds of the road and "spinning off" the new bonds in the package.

Mattielli Co. Forming

On July 31 the New York Stock Exchange firm of Ackerman & Co. will be dissolved. As of Aug. 1, Herman Hagen, William F. Luce, member of the New York Stock Exchange, Dominick Mattielli, and Louis Mattielli will form Mattielli & Co. with offices at 115 Broadway, New York City.

Decline of Gold Price

By PAUL EINZIG

Calling attention to declining trend in free-market gold price, Dr. Einzig ascribes it, among other things, to realization that U. S. has no intention of raising its official gold buying price. Other factors in the situation are: (1) decline in raw materials prices since 1951, and (2) improvement in the international political outlook.

LONDON, Eng. — There has been lately a noteworthy declining trend in the free market price of gold. At the time of writing gold is quoted in the various free markets in the vicinity of $36.40 an ounce against the American official buying price of $35. This is the lowest price touched in the free markets since the War. At the beginning of this year the price was about $37.50 while during 1952 it rose to just over $40. That rise was largely due to the widespread anticipation of an increase of the official American buying price.

Dr. Paul Einzig

The decline in the free price of gold is due to the combination of several circumstances. Foremost amongst them is the realization that the United States Government has no intention of raising the official buying price. The hopes in that direction, which were running high last year, have gradually faded. Even the most extreme wishful thinkers in South Africa, London and elsewhere have to admit that the chances of an early decision in favor of a higher gold price are negligible. It may be a matter of opinion whether the Washington Administration is right in refusing to adjust the price of gold to the general rise of prices of goods and services since the war. Speculators, dealers and gold hoarders are not concerned, however, with the respective merits of the case for and against an increase. The realization that, however strong the case may be in favor of a rise, nothing will induce the United States to act on the unsolicited advice to raise the price, made these practical men revise their valuation of gold.

It is now generally admitted that the only chance for a higher American price would arise in case of a business slump in the United States. To some extent, therefore, the decline in the free market price of gold may be interpreted as an indication that an early slump in the United States is not considered probable. Too much importance should not be attached, however, to this point. For a slump or even a substantial recession of trade in the United States is liable to cause large-scale dehoarding of gold in raw material producing countries. The fall of the American demand for their materials would result in a strong depression among primary producers and the experience of the thirties when the depression was accompanied by large-scale de-hoarding would repeat itself. This would mean that before the American buying price would be raised the free price might fall further as a result of dehoarding.

This brings us to the second cause of the recent decline in the free price of gold. Owing to the decline in raw material prices from their peak level reached in 1951, hoarding demand on the part of the population of raw material producing countries in the East, has declined. During recent years a large proportion of newly-mined gold found its way into hoards so that the demand was fully satisfied. Newly-mined gold continues to be diverted to the free markets on an extensive scale and since hoarding demand has declined it is bound to depress the free price.

The third major factor in the situation is the improvement in the international political outlook. The fear of another major war was to some extent responsible for the hoarding demand. It is reasonable to assume that, should the cold war come to an end, there would be a certain amount of dehoarding by those who have been immobilizing their funds for years in the form of gold hoards as an insurance against war risk. It seems, therefore, that other things being equal, the free price of gold is likely to fluctuate in sympathy with the ups and downs of peace prospects.

Yet another factor in the situation is the reversal of the flow of gold. While until 1952 gold was streaming towards the U. S., in recent months it has been trickling back from the United States. The extent of the American losses of gold is not sufficiently large to bring about a fundamental change in the gold situation. Nor have official gold movements, based on the official American price, any direct bearing on the free market price. The fact that the United States ceased for the time being to be a buyer of gold tends to produce, however, a psychological effect on the free market.

Many people are always inclined to assume that any market movement which happens to be in progress is bound to continue. The decline in the free price of gold cannot of course continue beyond the official buying price at which the United States and many other countries are prepared to buy gold. Nor is it likely that the premium of the free price over the official American price would disappear altogether. At its present figure of $1.40 per ounce it is still worth while for producers to divert supplies to the free market. A stage may be reached in the decline when it ceases to be worth while for them to do so, because it saves trouble and expense to sell their gold to the authorities. In the absence of practical experience it is difficult to estimate the figure at which producers would no longer divert their supplies to the free market. Long before that figure is reached the decline in the profit on gold produced is liable to reduce the output. The cost of production has risen to a level at which the working of low grade ores would have ceased to be profitable had it not been for the premium obtainable in the free market. Even in the absence of a further decline in the premium the working of a number of mines must have ceased to be profitable.

If as a result of a decline of the output a larger proportion should be diverted to the free market, in the absence of a revival of the hoarding demand the premium would decline further. This again would tend to cause a further decline of the output. This aspect of the situation and of the prospects should be borne in mind by those who are inclined to rejoice over the decline of the premium. It is likely to mean less gold for monetary purposes, to the detriment of international monetary and economic stability.

Railroad Securities

New York Central

New York Central common continues as the speculative favorite in the rail group, at least if one is to measure speculative interest by the volume of trading. Central has consistently been among the most active stocks on the New York Stock Exchange, not only in the rail group, but in the entire list. Also, despite periodic dips in sympathy with the general stock market, New York Central at the time of this writing is still selling within striking distance of the 1953 high and above the best levels attained in 1952. The activity in the stock and the underlying tone of strength have naturally revived rumors of additional buying by Chesapeake & Ohio or allied interests seeking control.

Most close followers of the situation are inclined to discount rumors of additional C & O buying and to attribute the recent market action of the stock to the impressive progress made by the new management during the 11 months in which it has been in power, and to the excellent earnings prospects over the balance of the year. Moreover, it is felt that if the improvement in operating performance that has been evident in the current year to date may be taken as pointing to a permanent change for the better in the company's affairs, this high level of earnings may be projected into the indefinite future, or until there is a general national depression of serious proportions. Even the most conservative of the analysts do not anticipate such a major depression over the visible future.

Over an extended period of years earnings of New York Central have been adversely affected by one of the highest transportation ratios to be found among the Class I carriers. In part this may be attributed to fundamental influences, including the large amount of passenger business and the heavy terminal and yard expenses inherent in the territory served and the type of freight business conducted. These factors have been widely publicized and fully reflected in the market status of the company's securities. What had been unexpected, and very disappointing, in the postwar years was the failure of dieselization to bring about any real improvement in the road's operating performance. Last year, for instance, the transportation ratio was 43.5%, compared with 36.9% for the Class I carriers as a whole. This was an appreciably wider margin against Central than had prevailed prewar.

As one important phase of the program of the new management considerable work has been done in improving the yard situation. Yard tracks have been extended, allowing the efficient handling of longer freight trains. It is from the lengthening of trains that the greatest advantage is derived from dieselization. That the program has already begun to bear fruit seems apparent from the operating performance so far in 1953. For the five months through May the road's gross revenues increased more than $13 million. At the same time, the company was able to cut its transportation costs by more than $4.5 million. The transportation ratio was down to 42.5% for the 1953 period compared with 45.8% for the first five months of 1952.

The property improvement program has naturally resulted in a sizable increase in the maintenance of way expenditures (up $2 million for the five months) and tax accruals have also been higher. Nevertheless, net income of $12,763,223, equivalent to $1.98 a share of stock, showed a wide gain over the $823,585, or only $0.13 a share, reported in the interval through May last year. Comparisons in June and July should continue highly favorable in view of last year's steel strike, and prospects over the balance of the year appear promising. On this basis it is felt by many analysts that earnings for the full year should run well above $5.00 a share and could come closer to the $6.00 mark. This would represent the best showing since the war year 1953. Dividend policies, however, will probably remain very conservative as large sums are still required on the properties and for additional new equipment.

Becker Corporation Takes Over Business

CHICAGO, Ill.—A. G. Becker & Co., Incorporated, 120 South La Salle Street, has announced it will, as of July 1, conduct the brokerage business heretofore conducted by the affiliated partnership of A. G. Becker & Co. The latter has been dissolved as of June 30, 1953.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Harry I. Beckenholdt is with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

Joins McCarley Co.

ASHEVILLE, N. C. — Dean S. Hasbrouck, formerly proprietor of Hasbrouck & Co., has become associated with McCarley & Company, Inc., Jackson Building.

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Meeting Our Military And Economic Problems

year 1954, the Air Force will have received total appropriations of $70,400,000,000. This sum would have been enough to cover the **entire** cost of the Federal Government for the first 132 years of its existence.

Does this sound as though the Air Force had been short-changed? It certainly does not to me. If we do not have an overpowering Air Force, the fault lies squarely with those who have been spending these huge sums in the last ten years.

Let me pass along two sentences from testimony by Secretary of Defense Charles E. Wilson a few days ago before a Congressional committee. Secretary Wilson said: "I assure you gentlemen most emphatically that we are **not** going to have the second best Air Force. As long as I am responsible to this government and to the people of the nation for the Department of Defense, we are going to continue to have the **best** Air Force."

That is a pledge upon which you can rely because it reflects the unyielding determination of President Eisenhower and his Administration. And here let me add my own assurances that neither I nor the other responsible leaders of the Eighty-Third Congress would tolerate for a moment a program that would give us anything less than the best Air Force in the world.

How Air Power Is Achieved

The best Air Force in the world is not attained by preoccupation with magic numbers like 143 or by parading **paper** wings of aircraft. Air power **is** achieved through efficient production of the most advanced combat planes and through the most efficient utilization of manpower to fly them.

Here is one instance of what I mean: Under President Eisenhower's program, 2,300 more planes are scheduled for delivery in the fiscal year 1954 than in 1953.

Under the President's plan, there will be a rapid buildup in the combat strength of the Air Force. The Defense Department expects to have 114 combat-ready wings by June 30, 1954. Let me emphasize that these will not be paper wings. They will consist of planes ready to fly and fight, and they will represent a great improvement over what we actually have now.

By June, 1955 the regular Air Force will have 120 wings, and in addition the Air National Guard and Reserve will have 22-plus wings. This will make a total of approximately 143 wings of combat strength.

Under the Eisenhower program, there is no intention of cancelling production of any suitable combat aricraft which have already been ordered. Those combat planes which have been removed from production schedules before Jan. 1, 1956, have been cancelled not for budget reasons, but rather because the planes are not suitable or necessary for their purposes and would have been a waste.

Among the cancelled aircraft there are 850 support-type planes, such as transports, trainers and helicopters. They were removed because the large numbers of these planes which are already on hand or on order can be utilized much more efficiently, making further purchases unnecessary.

We want the men of the United States Air Force to have the kind and number of modern planes they deserve. You may ask, how can we do this when the Air Force's request for more new money is reduced? How can we get more strength at less cost?

Airplane Production Below Schedule

The answer lies in several fields. First, production has been falling below the old schedules for the last 30 months. In fact, in not one single month since the outbreak of the Korean war has a monthly production schedule been met. Recently, the new heads of the Defense Department laid their revised production schedule before a meeting of aircraft manufacturers in Washington and told them this schedule **must be met.**

Another source of more airpower at less cost is in cutting down the time interval between placing an order and getting delivery. On some planes, this so-called lead time has been as long as 26 months. This will be cut to 18 months and will result in tying up less money for shorter periods of time.

Still another source of more strength at less cost is in better personnel utilization — which means having fewer men in support and overhead activities, such as "recreation specialists" and "personal affairs specialists," and more men in combat units.

As one of the leaders who forced through Congress a bill calling for a 70-group Air Force—which, by the way, was not put into effect at the time by the Truman Administration—I know that supremacy in the air is absolutely necessary to protect our national security. I also know that our goal, as President Eisenhower has said, is not merely to become strong, but to **stay strong**. And I believe President Eisenhower's program is the right way to stay strong.

Incidentally, much of the criticism which we have heard recently has come from people who did nothing when they themselves had a chance to build up our air strength.

It is unfortunate that we are obliged to spend billions upon billions for military defense. Think of the slums that could be cleared; the roads and bridges that could be constructed; the schools and churches that could be built; the sick, the aged and the unfortunate who could be aided with these vast sums.

We Must Be Strong Militarily

But unfortunately the danger is too great. We must be strong militarily. Security and liberty must be preserved, and they can be preserved only through a strong Army, a powerful Navy, and a gigantic Air Force. This, I assure you, will be done.

Defense requirements are taking two out of every three dollars spent by the national government. There is, of course, tremendous economic danger in such a military burden, because weakness and insecurity can be brought about by overspending just as readily as though we lacked sufficient armaments. There is a limit to what even America can spend. That is why we must now drastically reduce our spending on non-military government functions. We cannot continue forever the sleigh-ride of recent years toward ever-higher prices and an ever-cheaper dollar, and eventually a devastating collapse.

Our national debt is almost $270 billion. That is too high. We cannot permit it to go higher without endangering the future of the country and of every citizen. The national debt limit is fixed by law at $275 billion. If we were forced in a time of prosperity to increase the debt limit, it would be a jarring shock to our economy.

Thus, if we want a sound America, we are left with only one course. We must tighten our belts and perhaps make some slight sacrifices so that we may bring into balance our spending and our income.

No Tax Reductions This Year

The new Administration had hoped to be able to reduce taxes this year. But the financial mess we inherited was greater than we had anticipated. Billions in spending which were obligated last year were presented for payment. Cutting down on waste and inefficiency in a government with two and a half million civilian employees is a tremendous, time-consuming task. Because the new Administration believes in the need of checking inflation, protecting the value of the dollar, and maintaining solvency, it was necessary to forego the contemplated tax reduction until next year.

That is why President Eisenhower was forced to request a six-month extension of the excess profits tax, which would normally expire on July 1. This tax is generally recognized as unfair and unwise. Its extension can be justified only because of the serious financial plight of our country. Therefore, business firms whose earnings are such as to incur an excess profits tax are asked to continue for another six months the payment of this tax as their contribution to the solvency and future of our country.

Is this too much to ask for the privilege of doing a successful business in a secure and solvent America? I do not believe so, and neither do I think the American people believe so. And I am sure a majority of the people who will pay the tax will gladly come to the rescue of the country.

Next January, we will eliminate the excess profits tax and remove this artificial hobble from our expanding economy. At the same time, we will be able to give relief to the millions of individual income taxpayers. We must not forget that individual tax reduction will increase the purchasing power of our people and stimulate the entire economy. These effects may well be just as beneficial to the payers of excess profits taxes as the removal of the excess profits tax itself. Furthermore, the depressing excise taxes must be given a careful once-over. Reductions of some of the rates could aid both business and income.

Removal of the excess profits tax and relief to the individual taxpayers are essential. They should come at the same time. There must be no preference in the granting of tax relief as we return to a system of government that will call for smaller taxes from our people. All of the schedules must be reviewed, as indeed they will be, by committees appointed to study a more equitable adjustment of our tax burdens.

The Asiatic Situation

Besides the two problems, military and economic, which I have discussed today, there are dozens of other problems that face our country and its citizenry. In the things I have said, I have endeavored to concentrate on what is being done to solve the problem. Tnerein lies the final thougnt I would like to leave with you.

In far-off Asia there is the intense struggle for world domination. Soviet Russia in its greed for world conquest has given a challenge to the people of the world who believe in freedom. By force of arms, diplomatic intrigue and use of other people, Russia pushes slowly ahead to achieve the hope for world conquest.

They believe if they can bring all of China and Korea into their sphere of influence, they will have accomplished a mighty step forward in achieving their objective. Japan, Indo-China, India and the Philippines would in all probability follow, one by one, until there was complete control of the Continent. Dominating Asia, it would not be a too difficult task for the Soviets to engulf all Europe.

It is because of this threat we fought side by side with the courageous South Korean soldiers; it is because of this threat we must prepare the Chinese Nationalist armies; it is because of this threat we must revitalize the Japanese and increase the power of Turkey to resist aggression; it is because of this menace we support Greece, Italy, Spain and the NATO nations; it is because of this threat we must strengthen Western Germany. All of these peoples will be necessary to let the world live in freedom and security.

It is a heavy cost, but it is the price we pay for living as a free people.

Some people think a truce in Korea means we can slow up in our defense spending. That would be a fatal mistake. That would be falling into the trap the Soviet has set for us.

To divide the free world and entice the free world into a false security is the Soviet plan. We must not fall into that trap.

South Korea joins with the Chinese Nationalists and Poland as people who have been forced to pay a heavy price in this battle for a free world. Our deepest sympathy and regret goes out to them.

We must not abandon these people. We must continue to aid them in their fight to regain freedom. They, by their sacrifices by the side of our fighting men and women, have earned our eternal gratitude and our everlasting support. To desert them through appeasement of the Communists would be a fatal error in this struggle of the free people against the tyranny of Communism.

The problems ahead of us, tremendous though they may be, can be solved. We still have within our hands and minds and hearts the power to make the kind of future we want. This is especially true of you graduates who are fired with the priceless enthusiasm and zeal of youth.

During the five months in which the Eisenhower Administration has been at the controls in Washington, the climate in our Capital City has undergone a remarkable change. The business of government is now being conducted in an atmosphere of honesty and integrity. The new Administration has approached with vigor and determination the gigantic task of putting the huge Washington bureaucracy back on a sound, sane, efficient basis. It is re-establishing business methods in conducting the biggest business in the world.

This wholesome new atmosphere is restoring the confidence of our people in the good faith of their Government. The foundations of our free enterprise system are being renewed and strengthened. From this assurance springs the promise that when some of the obligations we have inherited have been liquidated, our people will be able progressively to retain more of the fruits of their own labors.

The disastrous trend toward leftism and socialism has been reversed, and we are back again on the good American road of freedom and opportunity.

This program should command the enthusiastic support of the American people. They might well remember that only in the success of President Eisenhower's objectives lies the hope of a bright future for America and the world. If through short-sighted lack of support, President Eisenhower should fail in his aims our system of Government might well be doomed and a Government far to the left of anything we have known would be our tragic fate.

Ours is still a young land. As nations go, we are still in our infancy. The progress we have made is the envy of the world, but it is only a fraction of what is possible in the future, provided the conditions under which we have flourished in the past are preserved.

There are some people who believe we have reached the zenith of our might and greatness. I do not believe in this philosophy of defeat. I believe the golden days of our national life are ahead. The atom and other numberless inventions have broadened our horizons and opportunities. We can, if we will, forge ahead to more towering heights.

Man knows no limits to his dreams. The power to realize those dreams is likewise limitless as long as he is given a chance to think, to work, to plan, and to build. That is the meaning of freedom. That is the unique thing we have in this country. That is the thing that has made us great. That we must not lose.

The challenge facing you graduates is this: to guard your freedom and to use it well. You have made a fine start with the academic achievements for which you are being honored today. May you have equally outstanding success in the years that lie before you.

Shakespeare well said, "This above all: To thine own self be true, and it must follow, as the night the day, thou canst not then be false to any man." And I say to you: Be true to your heritage, to America and its splendid idealism and you cannot fail to make your country a finer country in which to live and to pass on to the generations to come a priceless legacy of freedom, security and opportunity. May you all measure up to the splendid opportunities ahead as you go forward to face the stern realities of life.

Savings Banks' Deposits at New High

During first five months of '53, deposits rose $775 million, bringing total to $23.385 billion.

Deposits in the 528 mutual savings banks of the nation rose $775,000,000 during the first five months of 1953, to reach a new high of $23,385,000,000, according to Richard A. Booth, President of the National Association of Mutual Savings Banks and President, Springfield Institution for Savings, Springfield, Mass. The gain was 15% above the increase of $671,000,000 during the same period of 1952. During the month of May, deposits increased $117,000,000, as compared with $136,000,000 during the same month last year. The total increase in deposits for the past twelve months has been $1,814,000,000, or 8.4%. Activity continues at a high level, May being the third successive month in which amounts deposited and withdrawn were the highest for any corresponding month since 1947.

Richard A. Booth

At the close of May, the banks held $11,830,000,000, or 45.1% of their assets, in mortgage loans. This is the highest percentage since 1935. The banks have doubled their dollar holdings of mortgage loans since mid-1949. Their continued interest in aiding home ownership and home building is shown by the fact that since Jan. 1 their mortgage holdings increased $598,000,000 in 1953 as compared with $526,000,000 for the same period in 1952. During May alone they added $121,000,000 to their mortgage portfolio. Since Jan. 1 they have also placed $261,000,000 in corporate and municipal securities and $113,000,000 in U. S. Government obligations.

Sydonia Masterson With Dempsey-Tegeler & Co.

LA JOLLA, Calif. — Sydonia Chance Masterson has become associated with Dempsey-Tegeler & Co., 7863 Ivanhoe Avenue. Mrs. Masterson was formerly with Schwabacher & Co. and Merrill Lynch, Pierce, Fenner & Beane. Prior thereto she was Fresno manager of J. Henry Helser & Co.

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As We See It

sources (other, of course, than that already being utilized by the Federal Government). What we are really short of, according to this theory, is not money but productive capacity, and unless the creation of more money may be expected to enlarge output of arms and materiel without impairment of civilian production and consumption, the creation of the additional funds can have no other effect than to raise prices. Obviously, this argument comes much nearer the kernel of the matter.

Yet should we not do well to take a second look at its major premise? That premise is that we are today producing all that we can. We have virtually no unemployment, and a substantial number of "extras" have been drawn into the "labor force." The key industries upon whose output other industries are dependent, are fully occupied. All the usual indexes of activity and output are at very high points. On the surface, at least, it would appear that there was nothing that could be done to enlarge output. One who failed to look beneath the surface might easily conclude that either guns or consumer goods must give way.

May Be It's True

This, in fact, may be the case. With deep regret we must admit it. Yet we are quite certain in our own mind that it need not be! Nothing could be clearer than the fact that we are failing by a wide margin to get a dollar's worth of defense for each dollar we spend on it. The point really need not be argued at all. Any business man who has had any dealings with the armed services knows of his day-to-day experience how incredibly inefficient and indifferent to cost the Federal Government can be. This situation, of course, means waste not only, perhaps not even chiefly, of dollars but of manpower and often of other resources.

The Eisenhower Administration has given evidence that it is fully cognizant of this situation and is determined to do something to remedy it. Time is, perhaps, as yet too short to pass judgment upon the effort. We can only hope that full success will attend it. It is likewise evident that in other branches of the Federal Government the same effort is under way with vigor. There too we should be able to release manpower for essential work. We are certain in our own minds that it will be later found that much more drastic curtailment of the functions undertaken by the Federal Government will be necessary in order to get public expenditures down to anything like what they ought to be. The question remains whether the Administration can and will bring itself to go all the way, and whether the great rank and file of the people will support it all the way.

But there are even greater possibilities elsewhere. We citizens of the United States love nothing better than to boast about our productiveness. We swell with pride when our per capita output is put alongside of that of any other nation on the globe. And we are warranted in a deep sense of pride. But no amount of pride or of self-gratulation should, for one moment, cause us to lose sight of the fact that with all our ingenuity, with all of our organization and all of our mass production we are far, far from producing as we really could were we fully of a mind to do so. We are able to make the record of production we boast of chiefly, perhaps solely, because of abundant resources ready to hand and because our engineers and our managers have over and over again proved their genius. We have developed what is commonly referred to as "know-how" in a degree not matched elsewhere on earth.

Five-Day Week

But outside of agriculture this nation, for the most part, works only five days a week! And even in those sections of the economy which have not placed their working force on this short week, the time devoted to production has been greatly reduced, almost incredibly reduced during the past two decades. This movement toward a shorter and ever shorter work week gained impetus orginally under the influence of the New Deal and its notion of "spreading" a limited amount of employment over as large a part of the labor force as possible. It has, however, taken hold, until now it is commonly believed that to work more than five days a week is some sort of imposition upon nature.

Now, of course, there is nothing sacrosanct about a six-day week or a 45- or a 48-hour week. If the mass of our people prefer two days a week of leisure to the additional goods they might produce and have to consume by working longer, then there is no reason why they should not have it that way. But we must not expect to eat our cake and have it, too. The rapid advance of techniques and the like have at times almost given the impression that it was possible to do just that, but such an impression is, of course, false. Just suppose, for the moment, that all the people of this country were to undertake willingly and with a will to work three more hours each week without increase in pay! No problem of a choice between guns and motor cars, television sets, or any of the other things we want, would longer exist.

Then, there is, of course, the matter of giving full attention and energy to the work in hand when actually on the job, and the numerous restrictions of one sort or another imposed by labor unions. And unorganized workers have now also fallen victim to the malady. It is everywhere. Correct these evils, and it would be relatively simple to develop a tax structure which would pay for all the defense we need out of current income, and do so without reducing current consumption.

Continued from first page

European Situation Today

trade and have had colonial interests, the people of Europe have a greater knowledge of world conditions and are much more sensitive to them than is the case in the United States. I have a profound respect for the opinions of my European friends because I have found their analyses of situations borne out to a remarkable extent.

On this recent trip I met all of my old friends. In addition, I talked with a great many other persons representing a variety of positions, backgrounds and interests. There was hardly a day when I did not have interviews with one or more persons and, on the whole, I believe I received a thoroughly representative expression of European opinion. My chief purpose was to find in what areas there is fundamental disparity between European and American viewpoints on present world affairs and for what reasons.

Growing Criticism of Europe

In the United States there has been a growing criticism of Europe by some persons and this has become more pronounced in recent months. It is given expression by prominent members of Congress, by writers in newspapers and magazines and by commentators. The burden of the complaint is that European countries are not bearing their proper share of the physical burden of military defense—the provision of men, money and material — and that they are defeatist in spirit. These critics ask why the United States should make heavy sacrifices to prevent a world war which would engulf Europe if Europe is unwilling to do its part. They suggest that aid to these countries should be reduced or cut off as a punitive measure. In some cases they have said in effect that we should let Europe stew in its own juice and go it alone.

Influence on Public Opinion

Many of these critics are prominent persons. What they have to say undoubtedly exerts a considerable influence on public opinion in the United States. I know some of them well and have regard for them. I do not question their sincerity. I simply think that they are wrong—terribly wrong. And if this nation should be induced to act along the lines of their thinking, I am convinced that the results would be tragic for our country, Europe and the world.

These critics overlook some basic considerations. In the first place, even if the course of action they advocate for European countries were entirely right—which is highly debatable—these countries cannot be coerced into following that course. Not only the leaders of governments but a decisive majority of the peoples of those countries must become convinced of its rightness. Conviction will not be induced by moral preachments and threats from Americans nor by punitive action and unilateral conduct by the United States.

The psychology of Europeans differs materially from that of Americans. It has been shaped over centuries by geographic, economic and international influences not present in our own national development. On the vital question of war or peace, the reaction of European peoples is molded largely by their personal experiences in two devastating wars. They suffered in ways which we can only imagine. It is true that millions of our young people experienced the full horrors of war ... but on foreign soil. The great bulk of the American population knew nothing of it first hand. Not a single building in the United States was destroyed by enemy action. No American ever went to bed at night with the fear that a bomb might make it the last one for him, his loved ones or friends.

Constant Reminders of War

Europeans went through this night after night for years. Furthermore, Europeans still have visible evidence of war about them because ruined buildings, rubble and vacant areas exist in many places. There has been considerable reconstruction, but a great deal more must be done before the heavily damaged places will regain a normal appearance. In the financial district of the great City of London, for instance, where terrific destruction took place, practically no rebuilding has been done. Such things stand as constant reminders of war. Undoubtedly, they cause people to relive days they would much prefer to forget.

In addition to the above, France has other memories. During the occupation, the German flag flew over a large section of the country. Frenchmen were deported, imprisoned, roughly handled, killed. Those who escaped direct violence were under the surveillance and control of conquerors on the streets, in shops, at work and in their homes. Many French keep all of their money and other valuables in their houses. These hoards were found and appropriated by occupation troops who also looted the contents of safety deposit boxes and private possessions in other places of safekeeping. The country was stripped of food and goods of all sorts which were carted off to Germany. Such indignities are galling to anyone and particularly so to a proud race like the French.

Through two wars and occupation the peoples of Europe lost an untold amount of wealth. Wealth accumulated through the savings of centuries; wealth put into the production of things to blow up and be blown up, wealth lost because constructive things were not produced during the fight for survival. These combined losses burden the people today in the form of enormous public debts and inflated money. As an example of the latter, the French franc was worth 20 cents in the world's money market before World War I. Now it is valued at one-quarter of a cent. It has even lost 90% of the value that it had at the end of World War II. This represents an enormous loss that is shared by every individual and it is a loss that is with him every hour of every day.

We Should Hesitate to Criticize

I have cited these things as a reminder of the situation — entirely unknown to Americans — that the European lives with. War has blighted his past, depressed his present and clouded his future with grave doubts. This was brought home to me very forcefully in my visits abroad and in my discussions with people there. Is it reasonable to expect that such experiences would not affect the thinking of anyone on a question of war or even a question of building military defense? The United States did not have comparable war experience and, considering all the facts, I feel that any fair - minded person should hesitate to criticize our friends in Europe.

Nevertheless there is criticism and I have heard statements that the people of Western Europe have lost their will to resist; that they want only peace and will take it at any price. Based on my contacts, there is absolutely no justification for this idea. They do want peace above anything else. Of that there is not the slightest doubt. To get it, they are willing to make concessions. They do not want to take any risk of war that can possibly be avoided. But they will not compromise any vital principle. If there were no acceptable alternative, I am convinced that they would go to war again as they have before and fight with the same courage and tenacity. They have lost nothing of their patriotism; their pride in their nations and their history.

There are approximately 275 million people in Western Europe. Their tradition, culture and creeds stem from the same sources as ours. They have been educated in the great ideals of Christian civilization. They have differences among themselves and with us because the people of each nation think somewhat differently than the people of other nations. But their fundamental values are the same as ours. They will not see those values debased nor taken away from them any more readily than we will. At heart, these peoples of Europe are our type of people; they are our friends, they want to stand with us and work with us, but they will not follow us blindly in any direction we wish to lead them.

Europe Accepts Our Leadership

Europeans are realists. They know that the leadership of the Western World, so long vested in Europe, has moved across the Atlantic to the United States. They do not like this, naturally, because no one welcomes a demotion, but they accept it as a fact to which they are prepared to adapt their present and future existence. They are keenly conscious of the fact that they stand between the two mightiest nations of the present day—Russia and the United States. They know that if war comes—a war far surpassing the last one in horror and devastation—their countries will be the battleground. They will be hit first and hardest and the blows will come from friend and foe alike. Is it any wonder, under these circumstances, that the countries of Europe are reluctant to follow the United States in moves they believe to hold the possibility of war? Or that they want to be sure that their viewpoints will be understood and given consideration?

Universal Confidence in Eisenhower

On my last visit to Europe, which was during the Truman Administration, I found that people feared that the United States was much more likely to do something that would precipitate war than Russia — not because the United States wanted war but through blunder. Today there is universal European confidence in President Eisenhower. They believe he has a thorough understanding of both the European situation and the world situation, that he is absolutely opposed to war, hot or cold, and that his major aim is to bring about a condition of genuine peace. They believe further that he will accomplish this aim unless prevented by political obstruction at home. Because they are unfamiliar with the workings of our political system, they overestimate the influence of persons like Senator McCarthy and others who tend toward extreme positions in foreign affairs.

The European attitude toward the situation now existing between the Western and Communist worlds may be stated in three sentences:

(1) They feel that European nations cannot continue to spend the large amounts presently devoted to defense because they have neither the money nor the credit.

(2) They do not think there is any imminent danger of war.

(3) They believe the time is ripe for a positive approach to peace.

Public Resistance to Spending

These European countries are all heavily in debt, unable to meet their annual budgets, and collecting taxes that are so high they cannot be increased. Money is unavailable for things essential to the people's welfare. The building of new homes that is commonplace throughout the United States is found nowhere in Europe. Money, likewise, is unavailable for the capital investment which would result in more employment, higher wages and a better general standard of living as well as a stronger competitive position for European countries in world markets. In France, for instance, business firms of the highest rank can borrow money for only a five-year period and at an interest rate of 8%. Obviously, on such a basis, it is impossible to finance the industrial improvement and growth essential to build and maintain a sound economy. Rank and file people in Europe are becoming more and more aware of the deteriorating effect of high government spending and taxation on their economic condition as individuals. Consequently there is resistance to spending which makes it difficult for government leaders to justify large defense outlays.

In the European view, the danger of another world war can be prevented. Their reason, to state it simply, is that they can find no sensible answer to the question, "Who would start a war and why?" They know that no Western nation would initiate war. Of all other nations, there is only one that has sufficient industrial and military power to even think of war—Russia. Europeans do not profess to know more about what is going on inside Russia than we do. But they reason that the same forces are at work in Russia and the satellite countries as in the Western nations. Their people, too, know the destruction and suffering of war. They also know that a third war would be far more terrible than the last one. To assume that these people would willingly undergo such an ordeal is to declare them inhuman. And to assume that Russian leaders would attempt to take the unwilling citizenry of their own and other countries into a war of such magnitude is to ascribe to those leaders a degree of stupidity that they have not yet shown. Further, although totalitarian governments do not have the problems of debt and inflation *per se*, the same effect is produced by utilizing great amounts of material and labor for war production which otherwise could be devoted to improvement of the countries and of living conditions of their peoples.

War Is Not Likely

In short, for these and other reasons, Europeans believe that Russia would not engage in war unless actually attacked or unless the people could be convinced that attack was unavoidable. Since no nation is likely to attack Russia or create the appearance of attack, war is not likely. In my opinion, the above is sound reasoning. In fact, following this visit abroad, I am more convinced than ever that the desire for peace is one thing that all the peoples of the world hold in common; that it applies not only in the Americas and all of Europe but also in Asia. I believe this desire is building into demands by all peoples that the leaders of their governments develop the methods to bring peace—demands too strong for the leaders to ignore. If this appraisal is accurate the possibility for peace is greatly enhanced.

Definite Possibility of Peace

Just as they believe the danger of war is absent from the current situation, Europeans are convinced that a definite possibility of peace is present. For one thing they believe that there has been a significant change in the attitude of Russia since the death of Stalin. None of the present Russian leaders has any thing approaching the stature of Stalin in the eyes of the Russian people. The new leaders require time and stable conditions to consolidate their position and win the support of their people. An assured peace would meet their needs to a far greater extent than war or threats of war.

This thinking on defense expenditures, war and peace is not confined to isolated groups of people in Europe nor to any one country. It is universal. That is why the recent statement of Sir Winston Churchill received such tremendous acclaim. Churchill articulated a sentiment which the great majority of people had in mind, and he was speaking not for Great Britain alone but for the people of Europe. The response to the Churchill statement is aptly illustrated by an editorial entitled "Peace-making" which was published in the May 17, 1953 edition of the London "Observer," one of the most highly respected newspapers in Great Britain. In my opinion, it is so representative of European thinking that I consider if of value to quote the following lengthy excerpt:

"In the Twentieth Century, peacemaking has become something of a lost art. It is an art in which the British, during the two preceding centuries, used to excel. Suddenly, after a 40 years' lapse, they seem to have rediscovered it —and with it their national unity and their sense of purpose and pride. It is remarkable that Sir Winston's great and wise speech on peace with Russia last Monday has created the same instantaneous crystallization of national unity, and the same universal instinctive sense of rightness and confidence, as did his 'blood, sweat, and tears' speech exactly 13 years ago.

"The first requisite of the art of peacemaking is a sense of timing. In every conflict there comes a moment when the true balance of forces is fully tested and established, and nothing can be gained by further hostilities. That is the moment which must be seized if a durable peace is to be made. In both world wars it was missed in the quest for a victory which was to be 'total' but only proved totally barren.

"In the present world conflict this moment is now upon us. For a year or so now, the balance and limit of the opposed forces have been clearly established, both in Europe and in Asia. No longer, as in the days of the Prague coup, the Greek civil war, and the Berlin blockade, can the Russians hope to extend their area of influence or control in Europe by any forcible means short of war. Neither has the West discovered any effective means, short of war, of forcibly moving or removing the Iron Curtain.

"In Asia, too, there is a stalemate and a balance everywhere except in Indo-China. Nothing short of war can unseat the Communist Government in China, undo the Japanese link with America, or unite Korea. Both in Europe and Asia the methods of cold war — propaganda, subversion, boycott, blockade, armed demonstrations, local insurrections —have reached the end of their tether. Since nobody can want a war which would threaten to destroy the world without promising to unite it, the only choice today is between a prolonged military stalemate and a negotiated peace 'based on facts.'

"The Russians have given clear indications that they are prepared to try for the latter alternative, and Britain has now responded to their welcome advances. The most difficult part of the art of peacemaking, however, is the transition from the mentality of conflict to the mentality of conciliation, without which negotiations lead nowhere. What is needed for this transition is, in Sir Winston's words, that 'for a while each State looks about for things to do which would be agreeable instead of being disagreeable to each other.'

"This deliberate effort at agreeableness must be accompanied by the patience to proceed step by step, for which Mr. Attlee, in his admirable speech for the Opposition, found a striking simile: 'When the logs are jammed in the river one must begin by extricating one or two, in the hope that thereby the whole mass might move.'

"A further requisite of the art of peacemaking is a keen sense of the possible, coupled with constructive imagination. No imaginable peace settlement can remove the deep ideological differences between Communism and Western liberalism — it was Roosevelt's fatal error to believe that this was possible. All that a peace settlement can remove is the foreseeable causes of war, and the fear of war, between States. Further, no peace settlement based on the existing balance of power can have as its condition the liberation of the Communist countries in Eastern Europe. It might have as its result some liberalization both in their external relations and in their internal regimes.

"The best we can hope for—and this is not a wholly unreasonable or unrealistic hope—is that a period of peace may reduce Russia's iron grip on her neighbors which six years of cold war have merely tightened—just as in Aesop's fable of the gale and the sun betting which of them could strip a wanderer of his coat, the sun succeeded, where all the violent tuggings of the gale had only made the wanderer grip his wrappings more firmly."

Time of Critical Decision

The cardinal point in this editorial, in my opinion, is that the world has arrived at a time of critical decision. One way leads to eventual peace; the other leads to eventual war. This evaluation is widely accepted by Europeans; and of the alternatives, the peaceful solution is the only one that makes sense to them. They feel the moment has arrived to make a definite start toward peace. They are convinced that Russia has also come to this viewpoint. The editorial points out that no peace settlement can remove the ideological differences between Communism and Western liberalism. It could have gone further and stated with equal accuracy that no *war* can do so either. An ideology is a thing of the mind and spirit and in all history such things, right or wrong, have never been eradicated by force. In fact, I believe firmly that no matter who won another war its unimaginable devastation would result in the mushroom growth of Communism or something worse.

This editorial, as I said above, is representative of prevailing European thinking and as it so plainly indicates, Europeans are in the mood for compromise. They do not expect to come out with a negotiated peace that contains everything that they and we want. They know there will be things about it they and we will not like. But they realize that by its very nature any negotiation must be a process of give and take. The important thing is to see that what we take is a worthwhile return for what we give. They are determined that we must do this. Their attitude is not one of "appeasement." They are not interested in any settlement on the basis of "peace at any price." If the Russian stand should become revealed as one of take everything give nothing, there will be no settlement.

Opportunity Is at Hand

Europeans do not believe this will be the Russian position but, on the contrary, that the indications point in the other direction. They are convinced that we have at hand the opportunity to relieve the present tension and remove the threat of future war. Not to take advantage of the opportunity and explore it to the full, in their minds, would be a stupid omission of tragic consequence.

There is enormous confidence in the ability of President Eisenhower and Prime Minister Churchill to protect the interests of the Western world in meetings with Russia. No two men have a better knowledge of the world situation nor a greater experience in dealing with it. Nor can there be any question of their devotion to the ideals, traditions and standards of our way of life. Both can be depended on to sacrifice nothing vital.

Enthusiasm for Bermuda Meeting

On this basis there is great enthusiasm in Europe over the proposal for a meeting in Bermuda of Eisenhower, Churchill and the leading representative of France. They are anxious that it be held soon and that it result in agreement as to the procedure for a meeting with Russia. They hope that President Eisenhower will not be under restraint because of pressures from extreme elements in the United States that are opposed to compromise in any form.

At this point I want to make it clear that I am entirely in sympathy with this prevailing thinking in Europe. If the situation becomes generally understood I believe the overwhelming majority of Americans will be in sympathy with it also. Certainly, most Americans would welcome a betterment of the present condition. I cannot conceive of a single American who actually wants war. What can we lose by investigating the means to a possible peace?

I have been unable to see the logic in the position of those persons in the United States who have been so critical of Europe and so opposed to any attempt at negotiation with Russia. The apparent basis of their thinking is that Russia can never be trusted, that she is likely to out-smart us in any negotiations, and that, in any event, an agreement acceptable to Russia could not be acceptable to us—therefore, we do nothing. This is negative thinking. It offers nothing constructive. Its implication is that the United States and the countries of Europe must go on year after year spending huge sums of money and devoting a great part of their productive capacity and manpower to military purposes and go on year after year prepared to meet Communist countries with force of arms whenever our interests clash with theirs anywhere in the world.

A Leader Without Followers

That presents a grim prospect which is all the more grim because it inevitably would lead to world war. When nations continue to enlarge their military machines, there is ever-present danger that the machines will be used. Of this I am sure. If such thinking should become the basis for our national course of action, the United States will become a leader without followers. Our allies in Europe are fundamentally opposed to this point of view and I do not believe that military aid or other inducements or their natural ties with us would persuade them to continue down a road they consider the wrong one. We would run the serious risk of really having to "go it alone." Some of our extremists indicate they are willing to do just that. I would hate to have on my conscience the burden of deciding to take that action.

Suppose we just continue the way we are going? What will be the consequences? From a material standpoint alone, the prospect is appalling. The present high cost of government is due chiefly to the cost of defense. Even with continuation of extremely high taxes it is dubious that we can balance our budget. If we cannot, then we are headed in the same direction as the countries of Europe. It is true that our economic base is much stronger than theirs and that, in proportion, the economic damage we have sustained is light compared with theirs. Nevertheless, even the United States cannot continue indefinitely to devote a huge proportion of its wealth and productive capacity to military purposes. If we fail to bring our debt and spending under control our eventual fate will be the same as with every other country that has failed. In our case it will just take longer.

Why Be Afraid of Peace?

Parenthetically, it amazes me that there are some people who actually seem afraid of peace. The decline in the stock market that has been taking place for some weeks over the prospects of a Korean truce, for instance, is ridiculous. Everything we own will be worth more if we have genuine peace than if we have war or continuance of the present tension. We have become so accustomed to a war economy that some people think we must have it to sustain employment and production. The plain fact is that war production is economic waste. Progress is not built on waste. All the great advances in human history have come in times of peace. If peace can be established, the prospects for development of the world economy are so great that there is not an individual anywhere who will not benefit. I am convinced that with peace we will stand on the threshold of one of the great forward movements in history.

In summary, the following are conclusions I have arrived at on the basis of my contacts in Europe and my thinking on this matter following my return:

(1) *We cannot "go it alone."*

Our strength is not sufficient to the task. Any attempt to do so would confuse and divide the Western World. It would force some nations to orient themselves to the Communist World. It would force us to assume an economic burden which would ruin us. And it would create a world situation which would lead eventually to world war. It is incredible to me that any individual could have knowledge of the fundamental facts and think or say that we can stand alone.

(2) *We must treat our allies as partners.*

We have been too much inclined to take the position that our determinations of policies and methods are the only right ones and that they should be accepted without question by other countries. Perhaps this is natural because of the great amount of assistance we have been giving to other countries. But even if we have power to force acceptance of our will—which I doubt—we should remember that not much can be expected of unwilling partners. After all, other nations also must bear the consequences of any action jointly undertaken — probably more heavily than we will. They are entitled to a voice in any decision and we should grant it freely.

(3) *We should do our part to negotiate with Russia.*

This is what the European countries want to do and want us to do. We should make no advance commitments of our own nor seek to exact advance commitments from Russia. We should enter the meeting with open minds, in a spirit of give and take, prepared to negotiate a peace on a fair and honorable basis. Such an attitude on our part would have a unifying effect on the countries of Europe and greatly stimulate their morale. If negotiations should come to nothing because Russia took an intractable stand and made unreasonable demands we would at least have made the attempt and in whatever the future should hold could count on the solid support of our European allies.

Peace Is the Great Issue

The position I have stated here is counter to the one advocated by many prominent persons who work diligently to win acceptance for their point of view. I believe the position I have outlined is the right one, the constructive one, the one that will lead our country away from danger rather than toward it. I believe it is the one that the majority of Americans would support with full knowledge of the facts. If you agree, will you do your utmost to develop understanding of this position and win support for it wherever you can?

Peace is the great fundamental issue. Now and in the immediate future we may have the opportunity to obtain it which, if not taken, may slip through our fingers. I believe we should actively seek peace. Certainly, I intend to do everything in my power toward that end.

National Bank Assets and Deposits Down

Comptroller of Currency Ray M. Gidney has announced total assets of active national banks on April 20, 1953 were $4,194 million below amount reported at end of 1952, while, in same period, deposits declined close to $5 billion. Net aggregate loans of banks, however, continue to increase.

The total assets of national banks on April 20, 1953 amounted to $103,939,000,000 it was announced June 29 by Comptroller of the Currency, Ray M. Gidney. The returns covered the 4,890 active national banks in the United States and possessions. The assets were $4,194,000,000 below the amount reported as of end of 1952, but were $4,924,000,000 over the aggregate reported as of March 31, 1952, the date of the spring call a year ago.

Ray M. Gidney

The deposits of the banks on April 20 this year were $94,336,000,000, a decrease of $4,922,000,000, or 5%, since December, but an increase of over $4,019,000,000, or 4½%, in the year. Included in the recent deposit figures were demand deposits of individuals, partnerships and corporations of $53,714,000,000, which decreased $2,969,000,000, or more than 5%, since December, and time deposits of individuals, partnerships and corporations of $21,882,000,000, an increase of $365,000,000. Deposits of the United States Government of $2,376,000,000 were down $862,000,000 since December; deposits of States and political subdivisions of $6,451,000,000 showed an increase of $180,000,000; and deposits of banks amounted to $8,429,000,000, a decrease of $1,492,000,000, or 15%, since December. Postal savings were $13,000,000 and certified and cashiers' checks, etc., were $1,471,000,000.

Net loans and discounts of the national banks on April 20, 1953 were $36,567,000,000 an increase of $447,000,000 since December, but $4,214,000,000, or 13%, above the March 31, 1952 figure. Commercial and industrial loans as of the recent call date were $16,785,000,000, a decrease of $110,000,000 since December. Loans on real estate of $8,392,000,000 were up 1½% in the period. All other loans, including consumer loans to individuals, loans to farmers, to brokers and dealers and others for the purpose of purchasing and carrying securities, and to banks, etc., amounted to $11,921,000,000, an increase of nearly 4% since December, and 24% in the year. The percentage of loans and discounts to total assets on April 20, 1953 was 35.18 in comparison with 33.40 on December 31 and 32.67 in March, 1952.

Investments of the banks in United States Government obligations on April 20, 1953 aggregated $33,471,000,000 (including $21,000,000 guaranteed obligations), a decrease of $2,465,000,000 or 7%, since December. These investments were 32% of total assets, compared to 34% in March a year ago. Other bonds, stocks and securities of $8,582,000,000, which included obligations of States and political subdivisions of $6,315,000,000 were $226,000,000, or nearly 3%, more than in December, and $505,000,000, or 6%, more than held in March last year. The total securities held amounting to $42,053,000,000 was $2,239,000,000, or 5%, below the amount reported at the end of December last.

Cash of $1,290,000,000, reserve with Federal Reserve banks of $13,013,000,000 and balances with other banks (including cash items in process of collection) of $9,678,000,000, a total of $23,981,000,000, showed a decrease of $2,419,000,000, or more than 9%, since December.

The capital stock of the banks on April 20, 1953 was $2,255,000,000, including less than $6,000,000 of preferred stock. Surplus was $3,358,000,000, undivided profits $1,301,000,000 and capital reserves $264,000,000, or a total of $4,923,000,000. Total capital accounts of $7,178,000,000, which were 7.61% of total deposits, were $118,000,000 more than in December when they were 7.11% of total deposits.

With Real Property Inv.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Ephraim Feldman has become connected with Real Property Investments, Inc., 233 South Beverly Drive.

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(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — James A. Clayton & Co. is engaging in a securities business from offices at 34 West Santa Clara Street. Officers are James B. Clayton, President; Willis S. Clayton, Vice-President and Treasurer; and James B. Clayton, Jr., Secretary.

Continued from first page

An Inside View of The United Nations

and (3) The Remaining Countries of the Non-Permanent Group of the Security Council.

FIRST

Military Despotisms

Many so-called "republics" are mere military despotisms. Groups of army or navy officers have grasped power in complete disregard of any constitutional provision. They govern as out-and-out autocrats, camouflaged to give an air of respectability.

The statements that follow are based on such works as the encyclopedias Britannica and Americana and their supplements, the International Year Books, Collier's Enc., and reliable histories like Williams' "People and Politics of Latin America," etc.

These statements are made as brief as is consistent with the purpose of this article. Readers will be rewarded for their trouble.

ARGENTINA

A Storm-Center—The Coup d'Etat Often Used

This has been a center of wars and internal disturbances for a century and a quarter. The very wide differences between political parties aggravate this. "Radicals" represent in large part (though not wholly) those who live in towns, the "middle class." Conservatives stand rather for Spanish Colonial thought and manners.

In 1928, Hippolito Irigoyen became President for a second term; but in September, 1930, he was deposed by a revolt led by army officers. This brought a return to conservative rule, down to 1940, when Doctor Roberto M. Ortiz became President through a coalition of democrats and a wing of the radicals. Ill health obliging him to resign, the Vice-President, Doctor Ramon Castillo, became President until June 4, 1943, when a military junta expelled him, and General Rawson became Provisional President. Martial law was proclaimed and Congress dissolved. He soon resigned and was followed by General Pedro Ramirez.

The presentation of a resolution signed by many citizens in October, 1943, led to decrees by which newspapers and radios were gagged, labor unions dissolved, and criticism of government forbidden. A violator of this decree might be sent to a concentration camp. Because of some criticism of the government, "La Prensa," a leading newspaper, was suspended for five days. In July, 1945, there were two uprisings which overthrew the government. The first, on Oct. 5, resulted from action by a garrison commander near Buenos Aires, who arrested the Vice-President, Col. Peron. On Oct. 17, this temporary government was itself turned out of office; and in February, 1946, Col. Peron was chosen President for six years.

Peron Dominating Power for Past Six Years: President Juan D. Peron has been able to rule the country with almost complete arbitrary authority. Political parties may be dissolved on the ground that their ideologies endanger social peace, or their internal affiliations make them dangerous. The libel law imposes severe penalties for printing "anything which offends the dignity of any public official." On Jan. 26, 1951, the leading newspaper, "La Prensa," was suppressed by the government, which seized the entire management.

In January, 1951, President Peron was re-elected for six years.

BRAZIL

Military Influence Predominant

The influence of the army has always been dangerously great. We go no further back than 1930, when Brazil was one of four South American countries to experience an overthrow of its government. On Oct. 3 of that year, a revolt began in the southern states, while similar trouble brewed in the extreme north. A long civil war seemed to be in sight, but it suddenly terminated because many army and navy officers, headed by a prominent general, deserted the government, seized Rio de Janeiro, and caused the abdication of President Louis Pereira. The leader was Doctor Getulio Vargas, who was soon inaugurated as President.

President Vargas's Rule: The new President speedily issued decrees dissolving Congress, and assuming absolute power. Legislative and deliberative assemblies of all states and municipalities were dissolved, and a Consultation Council and a Special Tribunal to try political offenders were set up. Under the form of a republic, this thinly veiled despotism continued for a period of 15 years, down to 1945. Then President Vargas declined to run again, this action being due to pressure from the army by many influential persons who deemed some change desirable. Tanks and machine guns that were brought into the capital at various points proved sufficient to bring about the change of Presidents.

In 1946, there was a new constitution, and by it the government may outlaw any political party whose progress is thought to be contrary to a democratic regime, "based on the plurality of parties and on the guarantee of fundamental human rights." In 1950, Doctor Vargas was returned to power as President.

CHILE

A Land of Revolution

Revolutions and upsets have marked Chilean history for more than a century; and along with these have gone numerous autocratic presidents and parliamentary clashes. The following will illustrate the truth of this:

Fifteen Months of Governmental Confusion: It was on July 26, 1931, that President Carlos Ibanez del Campo, a Dictator with a strong arm, deemed it prudent to resign and leave the country, following violent outbursts and loss of life. His flight was the forerunner of a distressful period of about 15 months, during which the country was governed by the following:

(1) Juan Esteban Montero, whose administration was less than one year, from Dec. 4, 1931, to June 4, 1932, being then ousted by a revolution led by Doctor Carlos G. Davila.

(2) Doctor Davila was named Provisional President by a revolutionary junta, who expropriated foreign deposits in the Chilean banks, by a decree of June 9, 1932. On June 12, 1932, Doctor Davila was forced out of office.

(3) He was succeeded by Rolando Merino as Provisional President, but on June 17, 1932, Davila was restored by military influence. He lasted until Sept. 13, 1932, being then ousted by another bloodless revolt.

(4) The next ruler was General Bartolome Blanche, commander-in-chief of the army. His tenure of office closed in about two weeks. Humberto Oyanedel, President of the Supreme Court, then became ruler. The popular election which followed placed Arturo Alessandri in authority for a four-year term.

On Feb. 7, 1936, President Alessandri assumed authority to suspend Congress and declare martial law for three months, arresting some 600 opposition leaders. Many of these were sent to concentration camp in the wilderness of Southern Chile. Later, the President asked for dictatorial power, and proclaimed a censorship of the press. In 1947, there was a political crisis so serious that the President felt obliged to remake his Cabinet, filling it with members of the army and navy. The election of 1952 has brought back to power Carlos Ibanez, the dictator who resigned and fled in 1931.

COMMENT: The military are the real rulers of Chile.

COLOMBIA

A Political Storm-Center: Bolivar's Disappointment

In this country revolutionary disturbance has nearly always found congenial soil. Between 1830 and 1903, Colombia saw ten revolutions, involving most of the country. Simon Bolivar, the great South American Emancipator, wished to have the countries we now call Bolivia, Peru, Colombia, Venezuela, and Ecuador united in one government; but he failed in this.

Recent Political History: Intense and very bitter feeling exists between the two leading parties, "Conservative" and "Liberal." In 1948, in the administration of President Mariano Ospina Perez, a Conservative, there occurred on April 9, what has become known as the Bogota Revolt. It was an uprising in the City of Bogota that followed because of the assassination of a prominent liberal leader, Jorge Eliecier Gaitan, who was shot while leaving his office about noon. Very serious riots immediately ensued, mobs marching through Bogota and other cities, resulting in the death of some 1,500 persons, and a property damage of approximately 88,000,000 pesos. Regular parliamentary government was almost completely suspended because of a division of power between a conservative president and a liberal congress; executive decrees suspended the guarantee of the constitution and proclaimed martial law.

The 1949 election was accompanied by violence causing hundreds of deaths. In November, the President dissolved Congress and declared a state of siege, this step coming close upon an announcement made to him by a Congressional commission that impeachment proceedings against him would be commenced. It was reported on Oct. 30, 1949, that riots resulted in 234 deaths.

Continuing Riots and Loss of Life: During 1950 and 1951, disturbances and killings have been so conspicuous and severe that it was said by an American newspaper man that one could not travel from Medellin to Turbo without military convoy. According to Doctor Carlos Lleras Restrep, a Senator, it was estimated that since 1947, something like 6,000 persons in Colombia had been killed for their political beliefs.

The Most Recent Revolution: On Sunday the 14th of this present month of June, 1953, there was another coup d'etat. President Laureano Gomez was forced out of office by Gen. Gustavo Rojas Pinilla, but without bloodshed.

CUBA

A Most Disappointing Republic

This country was launched as a republic in 1902, when General Leonard Wood formally turned over the government to Mr. Estrada Palma, as first President. Its record has been one of violence, insurrection, riot, corruption and murder, with accompanying heavy loss of property.

United States Intervention: This has occurred seven times, in one form or another: sometimes by special U. S. officials sent to keep order or bridge over a "break" in government; sometimes by warships or landing marines; sometimes by an American Ambassador; once by special request of Cubans to the President of Princeton University for a solution of the muddle. All this in 50 years.

Of the 15 persons who have held office as President, eight were forced out of office violently or by pressure too strong for resistance, or by impeachment and removal.

The Disturbance of 1917: The second election of President Menocal, in 1916, was the scene of so much disorder that three presidents of election boards were killed. Frauds were so great and armed opposition so violent that in February, 1917, U. S. Marines were again landed. President Menocal was obliged to take the field in person; and his second term was close to a dictatorship. Between 1932 and 1933, loss of life was heavy, the University of Havana was closed by the government; and there was a virtual civil war.

President Machado (about 1924) was overthrown by military violence, and in the space of the next six months, three persons were in office as President, each one of whom was forced out. This is but a portion of the story, which has been one of violence, corruption and excessive power on the part of whoever wielded authority. Liberty of the press has been curtailed, schools have been closed.

The Latest Coup d'Etat: This occurred on March 10, 1952, when Major General Batista took over the government from Doctor Carlos P. Socarras, who had been elected in May, 1948.

COMMENT: That such a country should be placed where it is to act as a "World Governor" is an insult to decency and common sense.

ECUADOR

This is a land of disturbances, revolts, martial law, government by army officers, and almost ceaseless unrest. By one calculation, made by a prominent Ecuadorian, it would seem that from 1925 to 1947, a space of 22 years, the country has had 27 presidents, seven constituent assemblies or extra sessions of its Congress, six constitutions, beside many revolutions, some of which were successful, and some failures. ("The State of Latin America," by G. Arciniegas, ch. 13, p. 239.)

Government by decree of the executive head of the state, rather than by laws duly passed by Congress, is a very common procedure, often resorted to in Ecuador.

It is difficult to discover that Ecuador possesses one single quality that should qualify her to become a World Governor.

EGYPT

A Checkered History: The history of modern Egypt has been as disturbed as that of Egypt in Bible times. She has striven for two things, both of which have eluded her: (1) Complete riddance of British interference; (2) The maintenance of some semblance of parliamentary government.

An Autocratic King: In 1922, after World War I, Egypt was at last recognized as an independent power, with her own sovereign, King Fuad. He commenced a long course of struggle with his ministers and his parliament. He assumed to dismiss ministries to suit himself, to abolish a constitution, together with freedom of the press, and to rule more or less as a despot. His death in 1936 brought to the throne the Crown Prince Farouk, a lad of 16, who ruled under a regency. Ministerial and parliamentary troubles continued.

The Military Coup d'Etat of 1952: In the summer of last year a military junta, under the leadership of General Mohammed Naguib sent the young King into exile, thereby making our story short and simple. General Naguib is apparently the supreme ruler of Egypt today, having withstood all efforts to upset him. As recently as January 1953, he decreed the liquidation of all political parties, and that he himself would rule the land for three years, to come. He arrested some 25 persons. This is said to be preliminary to making Egypt a Republic.

COMMENT: A representative in the Security Council of such a country as this is an absurdity and a monstrosity. He stands for the armed heel of militarism.

LEBANON

This little republic, whose capital is Beirut, is on the eastern shore of the Mediterranean, and has an area of approximately 3,926 square miles—about one-half that of New Jersey, or of Massachusetts. It is essentially an agricultural country. For centuries it was part of the old Turkish Empire, as was its neighbor Syria. By reason of a mandate from the Old League of Nations, about 1923, both countries fell under the influence of France.

After France herself fell into the deepest kind of difficulties during World War No. Two, the Lebanese were filled with a strong desire for independence. This was not achieved until near the close of 1946. So, her independence is not much over seven years old.

First Experience With Popular Government Not Quite Happy: The first parliamentary election in May, 1947, was of such a character that, even under mid-eastern standards of political morality, it was viewed with great suspicion. The popular anger in Beirut was strong. When the government assumed to issue a ban on all public meetings because of this, the press was nearly unanimous in condemning it for such action. The result was that the new parliament thus chosen was partly boycotted as being unrepresentative of the people. The 1951 elections, however, were better managed.

Political Troubles: In 1949, Lebanese troops, aided by those of Syria, crushed an armed rebellion by one Anton Saadeh, who favored a Syrian National Party. The rebellion failed; Anton himself was shot, and 12 others were condemned to death. Lebanon has also been at war with Israel; their present relations are strained; nor are relations with Syria any too good. Lebanon has opposed strenuously the creation of any Zionist state in all or any part of the Holy Land.

Educational Standards Good: Lebanon standards of education and literacy are probably among the best in the middle east. State and private schools are numerous. There are also the American University at Beirut, and St. Joseph's University is there also.

COMMENT: Should such a very new arrival in the family of nations, with none too peaceful or reassuring a record, be elevated into a position of world authority?

MEXICO

A Stormy Petrel

For a century she has been a storm-center politically, economically, and socially. The quietest times have been those when government has approximated closely to depotism. The end of 1910, which saw the fall of old President Porfirio Diaz, saw also the termination of quietness, security for life and property and the close of much prosperity. A decade was to pass before there would be signs of even slow progress under Alvaro Obregon.

In general, Mexico's story has been that of revolution and counter-revolution, uprising against the government (either Federal or state), the seizure of many thousands of acres of land, a furious quarrel with the Catholic Church, and another with English or American oil companies. Governmental methods of operation would often have shocked American lovers of personal liberty, as for example when in April, 1936, the President of Mexico, resenting the criticisms of one who had formerly been a friend and supporter, settled the matter by simply placing the critic in an airplane and shipping him into a foreign land. In the State of Tamaupilas, there were at one time three rival parliaments; and as many governors in the State of Tebasco, with two Governors in the State of Michoacan. In Yucatan, confusion has reigned within recent years. In Vera Cruz, in 1929, the government crushed with difficulty a popular uprising, and captured two generals whom they executed, along with many other persons.

Doubtless Mexico is seeking better things for herself, but she has never learned to govern herself.

POLAND

A Rebirth After a Century

After more than a century of non-existence as a nation, the Treaty of Versailles (1918) set this country on its feet once more, and established boundaries. Uncertainty blighted its affairs from the start. In 1926, General Pilsudski, Poland's great military leader, seized power by a coup d'etat, and governed as a scarcely disguised dictator. The years that followed his death were troubled; in 1941, when the Germans were attacking the British, as World War II commenced, the Russian Soviets, acting upon and through Poland, occupied the whole country.

Michief Done by International Conferences: When World War II neared its end, international conferences (Yalta and Teheran) were the curse of Poland. A claim was made by two separate organizations that each one was the true and lawful government of the State—one being the government-in-exile in London, and the other known as the Polish Committee of National Liberation, a Russian Puppet Government at Lubin. Finally, in 1945, Russian views of the situation prevailed; and both England and the United States withdrew their recognition previously accorded to the exile government in London. Russia became dominant.

Since that time, there has been an ever-increasing unrest and opposition to the Polish Government thus established. It springs both from the people at large and from the Catholic Church. The whole outlook was so confused at the time when the Convention met at San Francisco in 1945, for drafting the charter of the United Nations, that it was only by virtue of a special agreement among the great powers, that Poland was made a charter member of the UN. In spite of her shaky record, Poland was duly elected to her place as a World Governing Power for the opening years of the United Nations, 1946 and 1947.

A Satellite of Russia: Poland is now little better than a puppet of the Government in the Kremlin. As recently as February of this year 1953, the Polish Communist regime issued a decree that all appointments in the Roman Catholic Chuch must be approved by the Government; all appointees must take an oath of loyalty to the Polish Republic. The country is the victim of the brutal Soviet Government.

SYRIA

An Independent Republic for First Time in History

This little country succeeded, in the closing years of World War No. II, in shaking off French influence and becoming an independent republic, duly recognized by both France and England. If we may take the month of September, 1941, as a date for this important event, its independent existence has been only slightly over a decade. It has its own parliament and President.

Its History Has Been a Troubled One: Short as its career has been, the country has encountered, truly, a "peck of trouble." It has had to deal with difficulties of more than one kind: (1) Troubles with its neighbors, Israel, Lebanon, Trans-Jordan; (2) Economic embarrassment; (3) Last, but by no means least, trouble inside its own government, as well as racial and religious perplexities and complications.

Government Overthrown Three Times by Violence: During 1949, the government was overthrown three times, as follows: (1) On the night of March 30-31, the Commander-in-Chief of the Syrian Army, Husin Zain, seized complete control of Syria, arresting the Prime Minister and several deputies. He said he was acting for "patriotic Syrians," and for the good of the country. The Chamber of Deputies was dissolved, and a new administration was formed, with himself at its head.

(2) On Aug. 14, a group of army officers arrested and put to death both Zain and his Prime Minister. Hashim Bey took office as Provisional Prime Minister.

(3) In the middle of December, a third upset of the government was carried out by military opponents of those in office. General Hinvawi was arrested, but later released. President Atassi resigned. On Dec. 29, a new cabinet was formed under Khaledel Azm.

In 1952, April 17: By decree of this date, all political parties were dissolved.

COMMENT: Is it not a little ridiculous for a country which can not be sure of itself to be placed in position to give orders to the world.

UKRAINIAN REPUBLIC

This is one of the states of the Russian Soviet Republic, and it does not differ, for purposes of this compilation or discussion, from Russia herself. It is needless to comment upon her character for it is the subject of subjects which is just now under discussion in America.

YUGOSLAVIA

Largest of the Balkan States

The population is more than 15,700,000, the great proportion being southern Slavs. There are six divisions of the country—Serbia, Croatia, Slovenia, Bosnia-Hercegovina, Montenegro and Macedonia.

In religion, there are three great divisions — Serbian Orthodox, Roman Catholic, and Mohammedan. There has been intense opposition by Catholics to Marshal Tito's government.

Serious Divisions of National Sentiment: These deep-seated divisions of race and faith have worked against Yugoslavia's best interests. The jealousy between Serbs and Croats is very strong. When World War No. II broke out, Yugoslavia was governed by a regency, King Peter II being a minor. The government wished to be neutral, but was so hard pushed by the Axis powers as finally to make agreement with them. This action was so unpopular that the regency was overthrown by popular uprising. King Peter was brought to the front; but the Croats set up an independent state, with Ante Pavelitch as its head. This division of action aided the Germans, whose armies overran the country, and a German puppet government was commenced; another like government was started by Italians in Croatia. There were also rival "liberator" movements of troops or guerrillas, Marshal Tito being at the head of one.

"Big Three" Conferences at Teheran and Yalta: At these two conferences, support was given to the group of Marshal Tito, and in March, 1945, a provisional government was set up at Belgrade under his authority; the monarchy was soon abolished, and on Nov. 29, 1945 a republic was proclaimed under the title of the Federal People's Republic of Yugoslavia, Tito being the ruler. Elections which followed were mere screens to disguise communistic domination.

Administration Is Communistic on Russia's Model: Marshal Tito's administration has followed distinct communistic lines, closely resembling Russian models. Communists hold most important places under the government. All persons who receive salaries or wages must belong to unions controlled by communists; the army is heavily communistic. "Collective bargaining" in agriculture has been a prominent feature of government policy, though met with much opposition from farmers and peasants. On Oct. 31, 1951, Marshal Tito is said to have declared that the country would be faithful to the doctrines of Marxian-Leninism. On another occasion, he said that opponents of socialism would not be permitted to run, because two programs could not exist in the country.

In June, 1951, the Minister of the Interior in a surprisingly frank speech, while describing the abuses by the government in 1949, said that no less than 47% of all arrests made by the police were unlawful.

Bitter Quarrel Between Tito and the Kremlin: In spite of all this policy of socialism, a violent quarrel exists between Marshal Tito and the government at Moscow.

COMMENT: The government is a military Communist regime, such as no Englishman or American would be content to accept.

Fatal Weaknesses and Deficiencies of All the Foregoing

In at least three respects the failure of the countries we have mentioned has been deplorable:

(1) **Freedom of the Press:** This does not exist in any real sense.

(2) **The Instability of Constitutions:** These fundamental instruments of government are issued, altered, revoked or curtailed by dictatorial authority.

(3) **Absence of Judicial Authority:** Courts, as bodies independent of executive or legislative power, are not known.

It is a travesty that these 13 countries which have completely failed to govern themselves should be exalted into the position of governors of others. Under Article 6 of Chapter II of the charter of UN, they are subject to expulsion for violation of the charter.

A Reward for Wrong-Doers: So far from anything like expulsion, these offenders have been rewarded by being made rulers and regulators of the world. This is the reverse of what is done in most other walks of life. Men who have failed as bankers and heads of business corporations are not generally advanced to become managers and trustees for the affairs of others. In short, failure is not made a stepping-stone to greater authority. In the UN, the rule seems to be otherwise. Failure and incompetence seem the "open door" to advancement and power.

SECOND

New Nations

In this group are three states, each with its own peculiarities—Pakistan, India, Turkey. These states are so very new that they have yet to show their ability to govern either themselves or others. This is especially true of India.

Pakistan and India might be thought to go hand-in-hand; but this is so far from the case that we ask special attention to what is said about each. Turkey stands apart from them in sharp difference.

PAKISTAN

This is a very new comer among nations, having sprung into being only in August, 1947. It is said to contain a population of, perhaps, 80 million souls. Geographically, it is composed of two entirely separate areas, with a thousand miles of difference between. The eastern portion is on the Burma border; the western toward Afghanistan.

A Religious Fact Commanding Attention: Pakistan is created on the basis of one religion, the Mohammedan, although it has a variety of languages or dialects. For present purposes, we are only asking whether a state produced so recently, and under such unusual conditions and limitations, is qualified to be a ruler of the world. The question is serious; no satisfactory answer is readily at hand.

Why the People of India Are Not Under One Rule: Now that England's hand is withdrawn, how comes it that the people of the Indian Peninsula are not under one rule? Why two independent governments? Up to a few years ago, probably every one who thought about the matter at all would have suggested that such unity was natural, necessary and almost sure to eventuate.

We need not return to the days of Warren Hastings and the 18th century. It suffices to remember, first, that in World War No. I the leaders of Indian thought, like Mohammed Ali Jinnah and Gandhi, refrained from ttrading upon the difficulties that then embarrassed England. Loyal to their distant, though alien, ruler, they "held up her hands" during her great fight against Germany. But they looked for substantial appreciation of this, in the shape of an advance towards self-government when the war was over.

Disappointment — Two Hostile Religions in Contention: Disappointment over the result of the legislation of 1919, and that which followed, brought about distressing disturbances between 1920 and 1940, nearly akin to civil war, with occasional pauses of doubtful rest. The "pinch of the shoe" was that the Moslems were in an unquestioned minority, measured against Hindus. They dreaded a central government for the entire country when England should retire. The gulf between Moslems and Hindus was great, though they had lived side by side for generations. It became plain that leaders like Gandhi, for the Hindus, and Jinnah for the Mohammedans could not unite for a common end. England was wise enough to see this.

August, 1947, Pakistan Stepped on World's Stage: In spite of serious disadvantages in the formation of a state whose principal divisions would be separated by a thousand miles (not to name other serious difficulties — geographical, linguistic and economic), there appeared in August, 1947, a country with a made-to-order name, dedicated to the maintenance and welfare of a Moslem population.

The courage, resolution and sound political judgment, coupled with the ability to set up an efficient administration within a few months, commands our high admiration, as well as the skill that has characterized the new government amid a period of distress that has embarrassed long-established dominions.

COMMENT: Allowing all this, it remains a question whether such a country is qualified to be a world governor.

INDIA

Population—Language—Religion

The population has been estimated by some at 357 million (excluding Kashmir's 4.4 million). This is said to be approximately one-fifth of the human race. Its density is alarming, and is discouraging as far as regards real social progress and advance, especially with respect to food supply. The 1951 census showed a population of 356,891,624, if we include little Andoman (close to Thibet) and the Nicobar and Sikkin Islands.

No less than 222 vernaculars are in the language spoken; and in religion the diversity is baffling. There are at least the following important divisions: Hindoo, Moslem, Sikh, Jain, Christian, Parsee, Buddhist, with probably others not readily classified.

Independence on Jan. 26, 1950: This is when India was proclaimed a sovereign democratic republic, with a constitution drawn up by an assembly. The President of the new state is a disciple of Mahatma Gandhi. In his inaugural, he said that for the first time in its long and checkered history, the whole vast land was under one jurisdiction. The Prime Minister, Jawaharal Nehru, said the policy would be based on Gandhi's ideal of the progessive realization of a non-violent society, in which caste and class, exploitation and war, would cease.

Caution Needed in Commenting on Such a People: Evidently, the greatest care must be exercised when venturing to comment on the possibility of such a people becoming qualified to help to govern the world. They themselves are so badly divided. India has been singularly unfortunate in the past centuries of her history in having been a prey to alien and ruthless invaders. This has affected her deeply.

The Question Awaiting Answer: No attempt is here made at any appraisal of India's chances for becoming a happy or useful nation; but are there any compelling reasons why such a very new nation should be elevated to such a position as this Security Council is designed to fill? Should the world's fate be entrusted for a moment to so untried and inexperienced a "trustee"? Let the following facts speak for themselves:

(1) **The Food Supply:** In her second year of independence, the shortage was so great that India asked of us, the United States, several million tons of grain, and was not too proud or too bashful to request "special and easy terms" of payment. It was said that six million tons of food must be found outside India, if famine was to be averted. This problem is not new.

(2) **Illiterate Population:** India has two houses of parliament, the lower consisting of not more than 500 members, elected by universal adult suffrage. The task of preparing for her first election posed problems almost beyond solution. How could 175 million men and women (most of them so illiterate as to be dependent on symbols at ballot-boxes and polling-places for means to give voters an indication of parties and candidates) be made into a useful or intelligent electorate?

(3) **Overshadowing System of Caste:** This is an inheritance of many generations, based on deep religious convictions and prejudices. A mere paper enactment in a constitution is pitifully weak against such feelings.

COMMENT: Is it fair or sensible to think that such a people should be placed in a position where, perhaps, their single vote may mean peace or war for the world?

TURKEY

The modern Turkish Republic in marked contrast with the

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An Inside View of The United Nations

Empire of the Sultans: The folly of the "Great Powers" and of the "League of Nations."

The modern Republic of Turkey is a great change from the old Turkey of the "Sublime Porte." In itself it is a witness to the folly of a world confederation, designed to manage everybody and keep peace everywhere. To realize this, one must look at the situation of Turkey when World War No. I ended.

The signing of the disappointing Treaty of Versailles, and its rejection by the U. S. Senate left the Turkish people in a situation little short of desperate. The "Sick Man of the East" was very sick indeed. His fortunes had been tied to Berlin and Vienna; and these had unexpectedly crashed down. The League of Nations was just born, and (though hampered by American disapproval) was ambitious to proceed, under the leadership of England and France, with support from little Greece, to carve out a new world. Turkey was to be shuffled to the rear of the stage; Greece was to have a modern "Asian Annex" in old Turkish Anatolia, better known to us in America as Asia Minor. The Treaty of Sevre (Aug. 10, 1920) is thus described by Sir J. A. Marriott in his "History of Europe":

"... Contantinople, with a minimum of circumjacent territory, was therefore to be left in the hands of the Sultan, while the control of the Straits was confided to the League of Nations. Syria was assigned, under mandate, to France; Palestine and Mesopotamia to Great Britain.

". . . Greece, thanks entirely to Venizelos, was to be enlarged by the addition of Macedonia and Thrace, together with Smyrna and a large strip of Asia Minor, and the Dodecanese Islands—except Rhodes, which remained in possession of Italy." (Marriott's History of Europe, 1815-1923, ch. 27, pages 544-545.)

Distressing Condition of the Turkish People: The Turks were a people disarmed, disheartened, bankrupt—their territory occupied by alien armies. Their nominal ruler, the Sultan, was a puppet in the hands of the great powers. The land that was to be left to them was the poorest in Anatolia. With the approval of those countries already mentioned, and under the protection of warships of England, France and (with shame be it said) the United States, Greece landed her forces at Smyrna and attacked all who stood across her path.

The Complete Greek Failure: The initial successes of the Greek armies proved their undoing; for these victories awoke the very soul of the Turkish inhabitants of Asia Minor as nothing else did. Fortunately for them, there stood ready to act as their leader one of their best, most far-seeing and unselfish public men in many generations—Kemal Pasha, or Ataturk as he has become generally called. He proved as good a general as statesman. On Aug. 26, 1922, the Greek armies were utterly routed, and on Sept. 9, 1922, Smyrna was captured by the Turks.

The New Turkish Republic: Under Kemal Pasha the people of the land awoke as they had not done in years; they realized that they had become a nation under a new leadership, and that the days of the Sultans were no more. The capital was speedily removed from Constantinople (Istanbul) and fixed at Angora, far from the guns of foreign warships. The caliphate was abolished, and the Sultan himself sent into exile. The Turkish Republic came to life, bringing with it such amazing changes in dress, manners and education as could not have been dreamed of in the 19th century.

Modern Republic a Monument to Healthy Nationalism: Adequate observations on all this cannot be made here. But the modern Republic of Turkey stands as a monument to healthy and aroused national life and ambition. But this never could have been achieved if the wishes and plans and maneuvers of the little group of nations, albeit the best in Europe, could have been enacted into realities. The whole proceeding heaps ridicule on "mandates" from some centralized group wielding a supposed authority, such as the old League of Nations, or the present United Nations tries to exert. Reversing the story of the glorious stand by the Greeks under Leonidas, who withstood totalitarian Asia under Xerxes in 480 B. C., it was the turn of the Asiatics under Kemal to say to the Greeks, "If you want our arms, come and take them."

THIRD

The Remaining Countries of the Non-Permanent Group of the Security Council

Only very brief comment is needed for most of the remaining countries that have sat in the Security Council, or are still there. They are the following:

Australia
Belgium
Canada
Denmark
Greece
Netherlands
Norway

These are all well known, and Greece alone calls for any extended mention.

In spite for her great reputation for freedom in classic days, the modern Greek nation has had a disappointing history. Her efforts at self-government have been close to failures. It is here impossible to give any details of the unhappy and disgraceful episodes of Grecian Government during and after World War No. 1, or of the shock to public opinion by reason of the trial before an extraordinary military tribunal of six of King George's principal advisers, and their execution in 1922. We also omit any account of the Greek "republic" and the dictatorship of General Pangalos in 1926 and 1927, and the later dictatorship under General Metaxas. In our observations about Turkey, we have mentioned Greece's lamentable attempt at a grab in Asia Minor.

The affairs of Greece during World War No. II and down to the time of the death of King George II in 1947, and the accession of King Paul I (now on the throne) are sorry reading. The poor Greeks have endured 10 years of civil war, and have been supported in large part by British and American money and supplies. Weak and short ministries and disappointing elections have been the rule. How soon Greece is to become a solvent and self-supporting country (if ever) is a question.

COMMENT: Sympathize as we may with these brave people, our sympathy should not lead us to lift this unstable and disappointing nation into a place where it is to govern the destinies of others.

The Five Permanent Members of the Security Council

These are as follows:

(1) **Great Britain:** She is the "star member" so far as the Old World is concerned—the "mother of parliaments." Her people have great virtues; they have always valued personal liberty as a "pearl of great price." But as member of a partnership, one must quickly realize that whoever hopes to do much business with England is soon obliged to agree with her, or withdraw. As a dissenting member, she either makes trouble, or quits entirely from any place where she is not a "dominant partner."

(2) **France:** She has indeed a great and famous name. Her geographical position in Europe is such that she had to be provided with a permanent seat. But since when has France been an influence in the world for stability—either her own or that of others? Her parliamentary system is unworkable, and always has been. Ministries come and go so fast that few of us can keep track of them. Even in the brief life of this "fourth republic" (about eight years) she has had 18 different administrations. Her House of Deputies, or her lower house under whatever name, has hardly ever known its own mind long enough to accomplish very much of anything save confusion of action.

In foreign affairs France is so badly over-extended that she can hardly hold down both Indo-China and North Africa at once. Her national debt is staggering.

(3) **China:** What is "China"? At this writing, there is an almost fatal disagreement between the "big five" on this fundamental point. Does "China" mean "Red China" on the continent of Asia? Or is the true "China" the government-in-exile, on the Island of Formosa? The two things are very wide apart. The question as to which one of these is to sit in that seat on the Security Council is of tremendous importance, as the slightest reflection will show to even the least initiated into the difficulties and intricacies of the situation. Yet England and others, thinking of trade with "Red China," view the matter from one angle; but to our President and our State Department, "Red China" is anathema; and thousands of us Americans feel likewise.

(4) **Russia:** Russia speaks for herself, and comment is unnecessary here.

(5) **United States:** We pay most of the bills, furnish most of the soldiers and warships, and are, perhaps, the most badly abused and denounced of the whole five. We are feared, but not respected, or trusted. Our prodigal "loans" and outright gifts have won for us many applicants, but not one friend.

Indeed, do any of the "big five" really trust their associates very far out of their sight?

What Sort of a Council Do We Really Have?

Now, if we turn to this Council for advice and action, what kind of a body do we find it? Its members are to govern the world—the Big Five and the other six—whether taken from the Military Despotisms, or from the newly-born nations, or from the third and miscellaneous group (which includes bankrupt and tottering Greece), or from all of these together. Is the picture a reassuring one? Does the Council possess any of those qualities which are indispensable for the management of even a small corporation, or a ten-acre farm, viz.: (1) The capacity to arrive at a quick and workable decision in an emergency, or even in ordinary times? (2) The resolution and authority to take speedy action upon such decision? (3) The ability to preserve its own self-respect, and command the respect and confidence of others? Have we found this to be the case during the last three years of this Korean War?

The recent erratic, unlooked-for and perplexing action of the President of South Korea, ordering the discharge of many thousands of "anti-red" prisoners of war without advance notice of any kind to anybody (even as a slight bit of diplomatic courtesy), speaks volumes as to the amazing disunity of thought and action within the ranks of the "United" Nations.

In Exactly What Capacity Does The Council Act?

Does the Council represent a concentration of the wisdom of the world or is it a fantastic, almost grotesque jumble? Look at the Council as it is today:

Chile
Colombia
Denmark
Greece
Lebanon
Pakistan
China
France
United Kingdom
Russia
United States

In exactly what capacity are these countries to act? Are they a World Parliament? If so, then many things are lacking, but most of all, these two attributes: (1) a majority that is agreed upon some sort of action or some policy; and (2) (equally indispensable) a "loyal minority," who do not stand for destruction of the existing form of government, but who are critics, claiming that those in authority are mistaken or incapable. Nearly 300 years of practical parliamentary experience have taught Englishmen and Americans that a parliament without these things is but a disappointment and a snare. France's legislature has never possessed them in any real degree, and her history has been so disappointed and ineffective. This is true also of other countries — the Latin countries and Latin American countries in particular.

If on the other hand, the Council is not a world legislature, but a great administrative body, somewhat after the order of the French Directory, from November 1795 to November 1799, then the colossal failure of the Directory should stand as a warning, quite apart from the disgusting want of morality and honesty which sapped the Directory's usefulness from its start.

These are very serious questions. They go to the very root of the matter of world administration or world government. How is the world to be governed by the UN? Daniel Webster, near the close of his famous reply to Colonel Hayne, in the Senate, wishing to demonstrate that the doctrine of nullification was impossible of actual execution, uses these words: "If a thing can be done, an ingenious man can tell us how it is to be done." That question obtrudes itself upon us all today. How is the Council to be of use at this time, in the present perplexing state of affairs in Korea, Indo-China, in North Africa, and as between England and Egypt, England and Iran, Pakistan and India? Look at the composition of the Council as we have set it out above; what are they doing for the world at this time? Is any one seriously expecting anything at all from the Council? Or are we counting on the actions of a few of the large and responsible countries.

"DO MEN GATHER GRAPES OF THORNS, OR FIGS OF THISTLES?"

With Stewart, Eubanks Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James J. Conrad is now affiliated with Stewart, Eubanks, Meyerson & York, 216 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges.

F. D. Stone Pres. of N. Y. Munic. Forum

Fred D. Stone, Jr., a Vice-President of The Marine Trust Co. of Western New York, was elected President of the Municipal Forum of New York at the annual meeting of the municipal bond organization. Mr. Stone succeeds John N. Mitchell of the law firm of Caldwell, Marshall, Trimble & Mitchell.

Fred D. Stone, Jr.

Other new officers of the Municipal Forum include Marquette deBary of F. S. Smithers & Co. as Vice-President, William G. Carrington, Jr. of Ira Haupt & Co. as Secretary and B. J. Van Ingen, Jr. of The First Boston Corp. as Treasurer.

Berk, Greenberger to Admit

Berk, Greenberger & Co., 60 Beaver Street, New York City, members of the New York Stock Exchange, on July 9 will admit Joseph Grogan and Richard Parola to general partnership and Edward Hirtenstein to limited partnership in the firm. Robert H. Berk, limited partner, on the same date will become a general partner.

Rodman & Linn To Admit W. G. Todd

CHICAGO, Ill. — Rodman & Linn, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, will admit Willson Grant Todd to partnership on July 9. Mr. Todd was formerly with Shearson, Hammill & Co.

E. Greenberger Co. Forming

Effective July 10, E. Greenberger & Co., New York Stock Exchange, member firm, will be formed with offices at 60 Beaver Street, New York City. Partners will be Eugene Greenberger, who will acquire an Exchange membership, general partner, and Harry Moskowitz, limited partner. Both were formerly partners in Berk, Greenberger & Co.

Louis Goldstein Joins Staff of Newborg Co.

Newborg & Co., 25 Broad St., New York City, members of the New York Stock Exchange, announced that Louis Goldstein is now associated with the firm. He was formerly a partner in Wm. M. Rosenbaum & Co.

Thomas Darst Joins King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

SOUTHERN PINES, N. C. — Thomas C. Darst Jr. has become associated with King Merritt & Co., Inc. Mr. Darst was formerly local manager for Reynolds & Co. and in the past conducted his own investment business in Greensboro, N. C.

Hayden, Miller Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Richard T. Swanson has become associated with Hayden, Miller & Co., Union Commerce Building, members of the Midwest Stock Exchange.

Lawrence A. Norton

Lawrence A. Norton passed away at the age of 60 after a long illness. Mr. Norton was formerly in the investment business in New York City.

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Real Situation in Federal Budget

per month; and when one considers further the fact that the net disposable national income has increased some $20 billion during the past year, it may reasonably be asked as to whether inflation has been fully brought under control. Certainly, it is important for thoughtful American people still to be alert against the dangers of inflation. Deficit financing must continue to be fought like the plague. One extremely important field where the citizens as a whole may help in the fight against inflation is by a widespread-support of the savings bond program of the Treasury Department. Short-term Federal borrowing arranged through the banking system is inflationary. Federal debt arranged by placement through long-time savings bonds is noninflationary. Without attempting to go into the details here, let it be suggested that you people of the Municipal Finance Officers Association can help meet this inflationary problem and thereby help get the national financial house put in order by encouraging the support of the savings bond program in your respective areas.

(3) The third step involved in moving forward into a period productive of a greater degree of well-being for all of our citizens has to do with this thing "productivity." I have referred to this word and what it means a good many times in various public utterances. I am satisfied, from the various discussions that I have had with many people, that it is a word which needs constant explanation and interpretation. "Productivity" is not "production." Productivity is *rate* of production. In the manufacturing field, this production is brought about by improved equipment and plant, improved technical skills, better management-labor relations, better management, and better health conditions or other similar factors which will help cut down absenteeism.

This same five-point program for the increase of productivity in the manufacturing world can be applied with equal force to those who are engaged in the distributive businesses. Likewise, although perhaps somewhat more difficult to trace, exactly these same principles may be employed by all other lines of human activity whether they be involved in production or distribution of goods, or whether they involve services rendered.

You are finance officers of municipalities scattered throughout the land. To the extent that you can improve your own rate of productivity just to that extent do you help improve the productivity of the whole economy with the net resulting increases in standards of living and economic benefits to all of our people. I should like to suggest the desirability of each of you returning to his own respective community and setting up a committee which will be charged with the specific responsibility of undertaking to study out answers to the question as to how the productivity of your members and the offices they represent may be increased.

Increased productivity rates mean increased *real* wages. Increased real wages mean increased purchasing power, the opportunity of the earning citizens to purchase more of the things, both intangible and tangible, they would like to have to satisfy their desires and wants. This huge reservoir of insatiable wants is ready to be tapped by manufacturers who set themselves about the task of preparing new and attractive goods for the purchaser to acquire. The salesmen, working as a part of a skilifully planned sales promotion program can serve as the connecting link between the manufacturer who prepares the goods to tap this huge market, and the people who comprise the market itself.

With a national government on a sound financial bottom, with inflation under control, with waste, extravagance, and reckless expenditures eliminated—with these accomplishments on the one hand, and with a pulsating, dynamic economic machine operating profitably and beneficially to the American people on the other hand, it is no extreme statement, under those circumstances, to say that the luxuries of today may well become the necessities of tomorrow.

Public Utility Securities

By OWEN ELY

American Gas & Electric Company

The American Gas & Electric System, with annual revenues of $210 million (practically all from sales of electricity), is the fifth largest electric utility system and would rank higher if gas revenues of the other leaders were excluded. It is the largest holding company system, and while subsidiaries operate in seven states—Michigan, Indiana, Ohio, West Virginia, Virginia, Kentucky and Tennessee—the system is fully interconnected and integrated. The principal subsidiaries, in approximate order of size, are the following:

	Population	States Served
Appalachian Electric Power	1,652,000	Va., W. Va. & Tenn.
Ohio Power Company	1,241,000	Ohio
Indiana & Michigan Electric	1,078,000	Ind. & Mich.
Kentucky & West Virginia Power	374,000	Ky.
Wheeling Electric	128,000	W. Va.
Central Ohio Lt. & Power Co.	111,000	Ohio
Kingsport Utilities	63,000	Tenn.
Citizens Heat, Light & Power	15,000	Ind.

The American G. & E. System does not serve any very large cities, those with population of over 25,000 being as follows: in Michigan, Benton Harbor and St. Joseph; in Indiana, Fort Wayne, South Bend, Munsey, Elkhart and Marion; in Ohio, Canton, Lima, Zanesville, Steubenville, Newark, Portsmouth, East Liverpool and Lancaster; in West Virginia, Huntington, Charleston, Wheeling and Bluefield; in Virginia, Roanoke and Lynchburg, and in Kentucky, Ashland.

The system has shown rapid growth, with electric revenues increasing 46% since 1948. From Jan. 1, 1948 to Dec. 31, 1952 property additions have aggregated $433 million and retirements only $40 million; net additions to plant represented an increase of about 44%. Some 38% of these expenditures were for new generating capacity aggregating 978,000 kw (less than 10,000 kw was retired).

The present construction progam includes an estimated $128 million to be spent in 1953 and $86 million in 1954. This will include an unusually large proportion for generating plant, with the following new units:

	Net Dependable Capacity	Scheduled Date of Operation
Kanawha River—1st Unit	200,000	June, 1953
Kanawha River—2nd Unit	200,000	Oct., 1953
Muskingum River—1st Unit	200,000	Nov., 1953
Muskingum River—2nd Unit	200,000	Jan., 1954
Tanners Creek—3rd Unit	200,000	Aug., 1954

When these plants are completed, the system should have a very ample reserve margin of power, which it has not had in recent years.

The system growth in the postwar period, as reflected in both peak load and annual net system load, has been at the rate of about 10% per annum. The company expects this growth rate to be quite well maintained during the period 1953-55. (The prewar growth rate approximated 6½% per annum.) Based on this anticipated growth, revenues are expected to increase to $266 million by 1955, a gain of about 27%.

The AGE System's average residential usage was about in line with he U. S. average during 1939-46. But in recent years it has pulled ahead, and is now about 10% above the national average. It is anticipated that by 1955 AGE's residential usage will reach 3,000 kw compared with the recent figure of 2,321. In explaining this forecast, the management presented some figures on the anticipated increase in the use of heavy appliances, as follows:

	Thousands in Use		
	Electric Ranges	Electric Water Heaters	Electric Clothes Dryers
1945	132	35	--
1952	454	215	31
Est. 1956	663	333	155

As a result of this load building the company expects the proportion of combined residential and commercial revenue to approach 49% of total revenues by 1956 compared with the present percentage around 43%, and 38% in 1944.

The company's record of earnings and dividends in recent years has been as follows, with figures adjusted for the two-for-one split-up in January, 1953 (earnings are based on average shares outstanding during the periods):

	Share Earnings on Common Stock		Dividends		
	Consolidated	Company	Cash	Atlantic City Elec. Stock	AGE Stock
12 Mos. End. 3-31-53	$2.45	$1.80	$1.50	--	2½%
Calendar Year 1952	2.36	1.94	1.50	--	--
1951	2.24	1.89	1.50	--	5
1950	2.43	2.01	1.50	--	--
1949	2.33	1.67	1.12½	24¢*	--
1948	2.16	1.44	.50	76¢*	--

*Quoted market value.

The company recently increased the cash dividend rate to $1.64. The stock has been selling around 28½ to yield about 5¾%. 800,000 shares of common stock were recently sold to the public.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The reduction in reserve requirements by the Federal Reserve Board is preparing the money market for the new money borrowings of the Treasury. It likewise took a bit of rigidity out of the program which has been plaguing the money market for some time now. According to certain followers of the government market the powers that be, by the recent action of lowering reserve requirements and purchases of Treasury obligations in the open market, have set aside for the time being at least the severely restrictive policy that has been in operation. It is being pointed out, however, that this does not mean a complete reversal in the way in which the money operations will be handled but there is less likelihood of stringencies in the future.

The entire government market responded to the action of the Federal Reserve Board in lowering reserve requirements not only bcause of the improved psychology which came along with this development but because of the step-up in volume and activity.

It Was Inevitable

The inevitable finally took place when the Federal Reserve Board reduced reserve requirement of the membr banks in the system. It had been rumored and indicated for sometime that there would be a change in reserve requirements, especially in the central reserve cities of New York and Chicago. Moreover, the money markets had remained so restrictive in spite of purchases of short-term government obligations by the Federal Reserve banks that some other type of action was needed in order to finance the deficit of the Treasury. This came about when the Federal Reserve Board reduced reserve requirements of the country banks from 14% to 13%, reserve city banks from 20% to 19% and central reserve city banks from 24% to 22%.

According to estimates, the combined reduction in reserve requirements by the Federal Reserve Board will make available about $1,156,000,000 of reserves to the deposit banks of the country. These newly available reserves could be used to expand credit by nearly $6 billion, and it is believed that the bulk of it will be absorbed in financing the operations of the Treasury over the next few months. It was announced that the new money needs of the Treasury during the July to September period will be between $5 billion and $6 billion so that a major part of the newly released reserves of the commercial banks in the system could be used up in meeting the demands of the Treasury for such funds.

A Straw in the Wind?

The lowering of reserve requirements by the Federal Reserve Board, in addition to the very important psychological effect it had upon all of the securities markets, indicates the board will make reserves available for the financing of the deficit. However, this will probable be done without taking very much away from the restrictive policy which has been in effect. Whether there will be a further easing in the money markets will no doubt be dictated by the amount of new money that will have to be raised by the Treasury and the trend of economic conditions in the country as a whole. The latter factor will bear considerable watching if there should be an armistice in Korea and a general betterment in the entire international situation.

The reduction in required reserves of the member banks, according to many followers of the money markets, indicates that these institutions will be called upon to finance much of the new money needs of the Treasury. The new securities that will be offered by the Treasury in the next few months will be tailored to fit the pattern of the market which is still very much short-term conscious despite the changes that have been made in reserve requirements.

No Bull Market for Long Terms

Although the whole government market responded to the stimulus of lower reserve requirements and there was considerable activity in the longer-term marketable obligations aside from that of traders and dealers, there is still no appetite around yet for a new long-term Treasury issue that could be used to raise new money for the Treasury. To be sure, the market action of the recently offered 3¼s has been very encouraging but there is, according to reports, a fairly sizable amount of these bonds around that will be sold if prices should show a sustained upward trend.

The action of the monetary authorities in making reserves available to the member institutions by lowering the requirements as well as by means of purchases of government securities in the open market, according to some followers of the money markets, heralds a change in policy which should result in more favorable market action for all government obligations. This betterment in the government market, which is expected by not a few of the experts, will no doubt bring about favorable trends in nearly all other income bearing securities. However, it seems as though the extent of the improvement must be predicated upon what is done by the powers that be in the future and the amount of new money that will have to be raised by the Treasury as well as non-governmental borrowers.

Now Long & Meaney

Effective July 1, the firm name of Schafer, Long & Meaney, 15 Broad Street, New York City, members of the New York Stock Exchange, was changed to Long & Meaney.

P. McDouglas Co. Formed

COLUMBUS, Ga. — Paul A. McDouglas is engaging in the securities business from offices at 1252 Eberhart Avenue, under the firm name of Paul A. McDouglas Company.

Walston Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CLAREMONT, Calif. — Gilbert C. Lamb has become affiliated with Walston & Co. He was formerly with the local office of Lester, Ryons & Co.

Mutual Funds

By ROBERT R. RICH

KEYSTONE CUSTODIAN Funds, Inc. — trustee and supervisor of more than $220,000,000 of capital invested in the 10 Keystone Funds —today issued its report on operations for the first six months of the fiscal year ending Nov. 30, 1953 to the 15,235 shareholders of Income Common Stock Fund S2.

Keystone Fund S2 had total net assets of $34,345,144 on May 31, 1953 compared with $35,693,934 six months earlier. Since the number of shares increased to 1,937,896 from 1,930,648 during the period, the decline in assets was entirely due to lower market values of the securities owned by the Fund. The net asset value per share was $17.72 on May 31 compared with the $18.49 asset value reported on Nov. 30, 1952.

The regular distribution of 48c per share for the first half of fiscal 1953 was the third consecutive payment in that amount from net investment income. Net realized gains from the sale of portfolio securities in the six months ended May 31 totaled $1,105,086.

Portfolio — Keystone Fund S2 is as fully invested as practical at all times in income common stocks — portfolio changes are made only within the same class, and only when the supervisory organization believes other issues are currently more attractive.

A SIGNIFICANT shift from short-term to long-term governments, and a resulting increase in prospective gross income is reported in the semi-annual report of American Business Shares, Inc.

Harry Prankard 2nd, President, points out that on Nov. 30, 1952, about 38% of the capital stability section of the portfolio was invested in relatively short-term 2⅜% U. S. Treasury bonds, maturing in 1958. In mid-April, when the government announced a new 3¼% issue, maturing in 1983, the Fund sold these shorter-term bonds and invested most of the proceeds in the new long-term issue. A small portion of the proceeds was invested to yield over 5% in four issues of preferred stocks.

"These changes in our capital stability section," writes Mr. Prankard, "should increase our gross income on an annual basis about ¾ of a penny for each share of capital stock outstanding. During the period that we held the short-term 2⅜% bonds, our income was lower than it would have been had we invested our money in longer-term securities carrying higher interest rates. However, during the recent decline, we lost much less of our capital on such short-term securities than we would have lost had we held longer-term issues. This smaller capital loss has more than offset the temporarily lower income."

Net asset value for each share of stock decreased from $4.02 on Nov. 30, 1952, to $3.89 on May 31, 1953. On May 31, 1952, net asset value was $3.98 per share. Giving effect to an 11 cent capital gain distribution last November, there was an increase for the 12 months' period of 2 cents a share.

CANADIAN FUND, a mutual investment fund managed by Calvin Bullock, reports net assets of $23,635,806 on May 31, 1953, the end of the company's fiscal half-year. This compares with total net assets of $22,368,551 on November 30 last.

Net asset value per share was $10.95, compared with $11.64 six months earlier. The number of shareholders increased during the period from 15,000 to more than 17,000.

Despite steady gains in Canadian production, employment and trade, the report states, the market for common stocks, as measured by the Montreal Stock Exchange index of 20 industrials, experienced a decline of about 10% in the six months ended May 31 last.

The management utilized this opportunity to buy common stocks at favorable prices, increasing the proportion of stock holdings from 82.1% on November 30, 1952 to 90.8% of net assets on May 31, 1953. Principal purchases included 8,600 Aluminium Ltd., 1,900 Amerada, 5,525 Consolidated Paper, 6,100 International Paper, 8,000 Interprovincial Pipe Line, 6,500 Traders Finance, 5,850 McColl-Frontenac and 9,800 Falconbridge Nickel.

"No developments in the past year," Hugh Bullock, President, told shareholders, "have dimmed the bright outlook for Canada's future. During the past six months the Canadian economy has continued its steady expansion. In March 1953, the latest month for which figures were available, the index of industrial production stood at 247% of the 1935/9 average compared with 222% March 1952 and 233% for the year 1952.

"Canada's vast economic potential continues to be developed at a very rapid rate. Each year for seven consecutive years, Canadians have spent an increased amount for new machinery, new factories, new power plants, and other capital improvements. Estimates indicate that in 1953 Canadians will spend a record $5½ billion for capital assets—an increase of $300 million over 1952.

"Encouraged by the government's tax policy—Canada has no capital gains tax, no excess profits tax—Canadians themselves, in recent years, have supplied 85% of their country's total expenditures for the development of resources and industry.

"These facts emphasize the soundness of a diversified investment program based on selected Canadian securities offering attractive long-term potentialities."

USE OF THE living trust for the distribution of small estates — without the delays, expense and publicity of the probate procedure —is discussed in the current Brief Case, published by Distributors Group, which sees the trustee's problem of obtaining diversification simplified by the use of mutual funds.

"Delays of six to eight months and even longer are common in probate experience," Brief Case states, "and its expense may amount to as much as 8% of a small estate. Under a living trust, there is no interruption in the payment of income to beneficiaries at the time of the maker's death. There are no probate expenses and no public record of its disposition. A cumbersome and expensive guardianship may be avoided where there are minor or legally 'incompetent' heirs.

"Today the trustee's problem as regards small estates is simplified by the use of mutual funds. They provide the same diversification and professional management for small as for large shareholders.

"The complete range in usefulness of such trusts is very broad and the terms of any specific trust should be worked out in a joint conference with your mutual fund dealer and with your counsel."

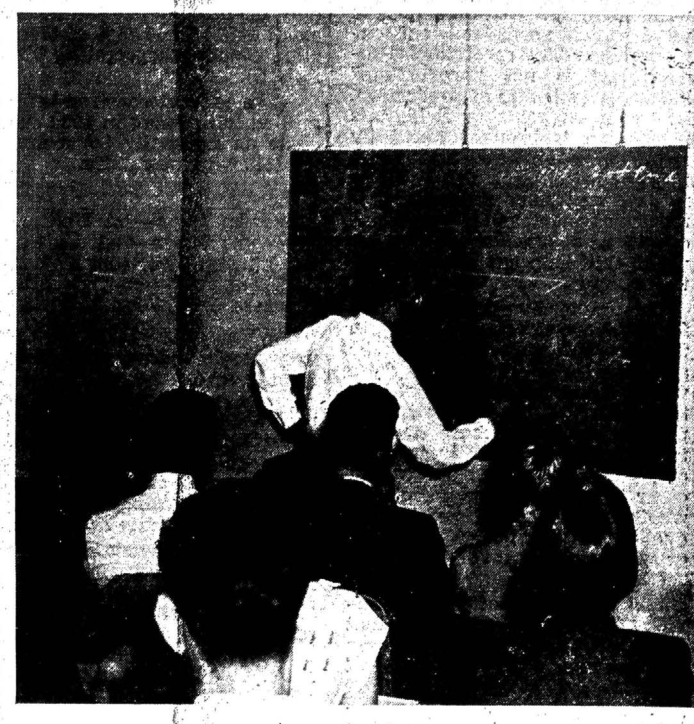
WHICHEVER WAY the economy goes from here out, says Hugh W. Long and Company, sponsors of Diversified Growth Stock Fund

I. P. C. Begins Retailing Operations

Investors Planning Corporation has begun training mutual fund salesmen at the rate of 60 a week in day and night training. The company will sell contractual plans, accumulation plans and individual investments in mutual fund shares.

Located in the Lincoln Building at 60 East 42nd Street, the company was organized by John Kalb, President, and Walter Benedick, Vice-President. Mr. Kalb was formerly the senior partner of the New York Stock Exchange Firm of Kalb, Voorhis and Mr. Benedick was previously Vice-President in charge of sales for First Investors Corporation, where he trained several thousand salesmen.

ABOVE John Kalb and Walter Benedick shake hands after conducting IPC's first sales training class. Salesmen will be paid a straight commission on mutual fund sales. BELOW: Walter Benedick, expert sales Analyst, in the middle of a training session. Testimony to Walter Benedick's success as a sales manager was the fact that his earnings this year with First Investors Corporation, solely from over-ride commissions, were at the annual rate of $90,000.



—mutual fund—it is not likely to go all out in either direction. In a bulletin entitled "Prosperity, Recession and Growth Investment" the Long organization points out that because of technological developments, certain industries may grow even in bad times and outstrip others in good times. The bulletin traces cross-currents of industrial growth and decline both in the depression of 1929-1933 and in the prosperous period 1940-1952.

While railroad traffic and textile production were following the economy's decline in 1929-1933, airline traffic and rayon shipments were growing vigorously. Newer products such a plastics, light metals, detergents, outstripped the general growth in the prosperous 1940-1952 period, while their "predecessors" (steel, lumber, soaps) barely kept pace or slipped. In both periods, the bulletin points out, unusual growth has been the reward of industries that have translated laboratory research into the new products and methods that people want.

Is it worth-while for the investor to follow the growth line in the cross-currents of our economy? The securities markets, says "The Long View," have justified "over and over again the belief that unusual growth in a company, no less than unusual deterioration, is eventually reflected in the market price of its shares."

A NEW EDITION of its 20-page booklet designed to assist employers interested in setting up profit sharing retirement plans has just been published and is being distributed by Wellington Company, sponsors of the $250 million Wellington Fund.

The booklet lists the advantages of such plans for both employers and employees and describes the essential requirements and procedure for qualifying them with the Internal Revenue Department. It also contains a typical plan and trust agreement for the guidance of employers. With the booklet, Wellington Company also is making available tax schedules and work sheets.

JAMES H. BRANIGAN, JR., Manager, Mutual Funds Department, Ira Haupt & Company, 111 Broadway, has accepted the Chairmanship of the Mutual Funds division in the Sister Elizabeth Kenny Foundation annual fund-raising drive. This division is part of the Commerce and Industry Committee. Announcement was made today by the Eastern Area Campaign Office, 507 Fifth Avenue.

"So many victims of polio are children," Mr. Branigan said. "This particularly impresses me, being the father of four. I know how parents feel at this time of the year when the polio season approaches.

"But parents may take comfort in the fact that the Kenny Treatment has been so successful in returning crippled youngsters to normal lives. We are fortunate in having on Out-Patient Treatment Center at 71 Park Avenue, New York, besides the Kenny Institute in Jersey City Medical Center. Because the treatment is free, these institutions depend upon our contributions for support."

JOHN H. GLEISSNER has been elected a Vice-President of Putnam Fund Distributors, Inc.

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Economically Feasible Atomic Power Can Be Achieved

changed. There are several reasons why we feel this way:

First, nearly everything that has been done in the nuclear reactor field until now has been done for a government reason. The government has developed reactors to produce plutonium for bombs, to serve as government research tools, and to propel submarines. It also has other projects underway which will lead ultimately to the propulsion of aircraft and large naval surface ships. But all of these projects have been undertaken to meet a need or a demand that had generated within the government. Now, however, there is good reason to believe that a demand outside of the government's own sphere of operations is developing for atomic reactors. It is a commercial demand, an economic demand and a civilian demand. It seems only reasonable to expect that people outside of the government be given a chance to work toward the development of reactors to meet this demand.

Another reason why the Commission feels that the present ground rules should be changed is because the job ahead is a developmental one — a cost-cutting one—the kind of a job that can be done best by skilled people competing with other skilled people who are working toward the same or a similar goal. In other words, it is the kind of a race for which one wants as many starters as possible, and you can't recruit many starters for this kind of a race under the ground rules laid down by the Atomic Energy Act of 1946.

Proposed Law Amendments

As a result, the Commission has, since last September, been giving some very serious thought to what there should be in the way of new ground rules. We have developed a policy position which it has taken a lot of careful thought and deliberation to arrive at. Our position is that the present Federal monopoly should be relaxed to permit wider participation in the power reactor program. To accomplish this we have proposed that the present law be amended to permit:

(1) The ownership and operation of nuclear power facilities by groups other than the Commission:

(2) The lease or sale of fissionable material under safeguards adequate to assure the national security, and

(3) The use and transfer of fissionable or by-product materials by the owners of reactors, subject to purchase by the Commission or regulation by the Commission in the interest of health and safety.

The purpose of these changes in the law is to encourage groups outside of the Commission to invest money and talent in the development of economic power reactors. It is obvious, we think, that if we want people other than ourselves to invest money and talent in the development of these power facilities, we must allow them to own or lease the facilities, fuels, and the by-products, subject, naturally, to appropriate controls.

As part of its policy position, the Commission has also proposed that the suggested changes in the law be accompanied by adjustments in the Commission's own practices to permit:

(1) As appropriate, the granting of more liberal patent rights in accordance with existing law;

(2) A progressively more liberalized information policy in the power reactor field, as justified by need and as permitted by security considerations, and

(3) The performance in Commission laboratories of such research and development work in the power field as is deemed warranted in the national interest.

The Commission also promised in its policy statement to give consideration to a progressively adjusted safety code to keep pace with operational experience with reactors.

Next Five Years Will Be "Developmental"

The purpose of all of these proposals is not to attempt to create a new, crystallized environment in which one might expect an atomic power industry to come into being and flourish forever. It is not yet the time to attempt anything like that. In my opinion, the next five years are developmental years—years in which we will be working toward the realization of economically feasible atomic power, not enjoying its fruits.

Our purpose is to create a temporary environment in which this developmental effort can be expected to go forward—a period in which the Commission is given the power and discretion to encourage the participation of others by granting them certain rights which they now cannot have no matter how much money or how much effort they put into this kind of work.

I have noted with considerable interest and some disappointment that a few people have already labeled these policy recommendations as "the atomic giveaway program." This is simply not true. It is not a giveaway program; it is not even a sell-away program. Under it the Commission gives nothing away. It doesn't even sell any of its own facilities. All it would do would be to permit others to own what they themselves have built and paid for, or, in the case of materials, bought and paid for, or manufactured. It seems ridiculous to me for one agency of the Federal Government to attempt to exclude others forever from a promising new field whose main significance will be to the overall economy, not to any particular segment of it.

This policy statement by the Commission is an attempt to set up ground rules which are the same for everybody, and when I say everybody I mean Federal agencies, state agencies, municipal agencies and private industry. Everybody who has something to offer to the development of atomic power should be allowed to make a contribution to that development. The idea that some people apparently have that the Federal Government of this country and the private industries of this country represent two separate and sovereign powers is, in my opinion, most unfortunate. There is only one sovereign power in the country, and that is the Federal Government. I think it can be relied upon to see that this new force called atomic energy will always be controlled in the public interest, and not, I hope, by monopolistic management but by regulation, and leadership, and the stimulation of competition.

I think that those who have labeled these proposals as a "giveaway program" have not read them as carefully as they might. Actually, there is only one place where any real rights of the government are at issue in the development of atomic power, and that is in the matter of patents. And yet, if you will look at the Commission's policy statement carefully you will find that it has talked about patents only in the most general terms. In its list of proposed steps, this is what the statement says about patents: "More liberal patent rights than are presently granted to outside groups as may seem appropriate to the Commission and consistent with existing law." You will notice that the statement says, "consistent with existing law." The Commission all along has interpreted the patent provisions of the existing law very rigidly so far as the government's rights are concerned. Present policies can be relaxed to some extent without any change in the law, and therefore without any change in the overall national policy on the subject of atomic energy patents.

The Patent Policy

As of now, the Commission has not proposed any change in the patent provisions of the law. This does not mean that it might not do so later. This question is now under careful study. In this regard, I think there are two objectives:

(1) I don't think anyone should be allowed to come into the atomic power picture with the investment of a dollar or two and walk off with patents worth hundreds of millions of dollars, and

(2) I think people who come into the power program and make a real contribution based on a liberal investment of talent and money involving a real risk, should be entitled to some patent rights denied to others.

This all boils down to a question of fair play and common sense. I think it is obvious that we cannot expect private concerns to come in and spend millions of dollars without getting some benefits, and I think it is obvious that private concerns as well as the government must be in this power program. Otherwise we can never have real competition, the catalytic agent of progress, and we will always have a program limited in size and scope by the range of the Federal Government's imagination and vision, which is not always as broad as it might be.

During the developmental period we are moving into, I am convinced that industry and government must work together if we are to get the most out of it. During this period, it seems clear to me that some prototypes and pilot plants of atomic power facilities must be built. It is my own opinion that the government, as well as industry, must participate in this kind of endeavor, for as of today the investments must be high and the pay-offs a number of years in the future. I would be very pleasantly surprised if private capital were to move in and pick up the total check for this expensive and—at first—unprofitable work. I noticed the other day where the North American Aviation Company announced that it had developed a power pilot plant which they were ready to build for any customer at a cost of $10,000,000. It will be interesting to see if this company has any takers in private industry, even if the law is revised. I have my hopes, but I also have my doubts.

There Is a Demand for Atomic Power

There is one rather fundamental question which I have not touched upon in these remarks, but which has been asked me several times in the past few days, notably by a member of Congress. It is an interesting and provocative question. It is this: "Why exactly are we interested in achieving economically feasible power from the atom?" When I was first asked this question I was a little surprised, for I had always assumed for reasons not too clearly spelled out that no one could quarrel with such an objective. I had assumed it was agreed upon by everyone.

One answer to this question, of course, is that we want atomic power because there is a demand for it, and that we know this because of the intense interest demonstrated by so many industries and businesses in it. One might extend this line of reasoning and conclude that if there is a demand for atomic power, it must be worth going after.

But this is hardly a national policy reason for pushing toward the early development of an atomic power industry in this country. A good national policy reason would be provided, of course, if we were on the verge of running out of coal, oil or gas in a year or two. But we are not. This may be true of others, but it is not true of the United States.

Why, then, do we want atomic power? I think we want atomic power because as soon as it comes into being it will reduce the rate at which we are using up our other natural resources. It will release them for other uses or permit us to conserve them for future specialized use.

I think we want atomic power because our demand for energy in this country and in the world is increasing at an enormous rate, and the costs of producing such fuels as oil and gas will steadily rise as the supplies dwindle. We will need a supplementary source of energy, and to be ready when the time comes we must push ahead now.

I think also that we need atomic power because atomic fuels are virtually weightless fuels. They can be taken anywhere in the world—to the source of the raw materials upon which industries are based—to deserts, to mountains, and to islands.

I think we need atomic power so that we may help our friends in the world who are in need of new sources of power. I have particularly in mind those who have been and are supplying us with the uranium with which we are feeding our weapons program.

And I think we need atomic power because no one really knows the enormous impact this new source of energy may have on our economy and our mode of life. I have heard that there were people who asked Henry Ford, "Why do we need the automobile when we can get where we're going quicker on a horse?" Right now our objective is to advance our atomic power technology to the point where it can compete with the "horse"—that is coal, gas and oil. But that is just the beginning. I know, and I think we all know, that there is more in the atom than that.

Continued from page 6

Tax Aspects and Trends In Executive Compensation

during such periods will have his own income tax problems. Above a certain level, the percentage of a salary increase retained after tax becomes relatively insignificant. Thus, I know of a case where a $50,000 executive of an oil company has each year over the past five years been voted a $5,000 increase by his board of directors, and has each year declined this salary increase upon the ground that he felt that his present salary was sufficient—his polite way of saying that the increase would not have netted him enough to warrant his accepting it.

Some of you may also know the story of the executive who needed $2,500 more a year in order to send his son to engineering school. The president told him that he felt sure that the board would approve a $2,500 increase. The executive pointed out, however, that he was asking for a $7,500 increase, the amount he needed to have $2,500 to spend for his son's professional education.

Because of the tax situation, the executive today will seek from his company one or more of three objectives:

One. To obtain benefits that are not taxable to him at all.

Two. To obtain benefits which will result in a tax at capital gain rather than ordinary income rates; and

Three: To spread his compensation over the longest period that can conveniently be arranged, thus obtaining continued income and avoiding the higher tax brackets.

The company, as its objective, seeks an immediate tax deduction for the benefits conferred, but will usually not insist upon this objective at the executives's expense. A compensation plan that imposes too high tax burdens upon the company; executives will lose its value to both the company and its executives.

Plans Involving No Tax To the Executive

Taking up first the category of benefits which at present involve no tax to the executive: There may be grouped in this category what has ineptly been called "fringes," such as group insurance, expense allowances and perquisites granted individual officers and executives.

Group Insurance: Perhaps the most significant development in this category is the growth of group insurance plans, particularly in the field of group life. At the present time, as you know, an insurance policy upon the life of an employee paid for by an employer involves no tax to the employee if it is a group term "term-premium" policy. Two years ago, group term offered no substantial advantages to most top executives because of a statutory limitation in New York, followed as a matter of practice by insurance companies in other states, limiting the total amount of individual insurance under group term to $20,000. Last year this limitation was removed and, as a result, group term insurance plans can at present be made highly attractive to top executives. I have seen insurance plans providing for maximum insurance of up to three times annual salary, with ceilings of $80,000 or more. The General Motors group insurance plan provides for insurance policies of up to $150,000. The cost to the employee of such insurance is usually a relatively small figure, perhaps 60 cents a month per thousand dollars of insurance.

After an employee is retired, the plan often provides for the termination of group insurance (with the right to convert to an individual policy without examination). But I have seen plans providing for continuation of a percentage of the insurance after retirement, with payment for the insurance either deducted from the pension or borne entirely by the company.

The advantages of such plans are obvious. They can provide substantial benefits to executives and other employees without tax to them and with the cost at the same time fully deductible by the company as and when paid. It cannot be denied, however, that these plans now represent a loophole in our tax code, and the Bureau of Internal Revenue has been considering methods of taxing them to the employees. The original Bureau position that group term insurance was not taxable was taken when the statutory $20,000 ceiling was in effect and benefits for term insurance were thus relatively small. Removal of this ceiling and the taking out of large policies upon top executives has created a problem of which insurance companies, as well as the National Association of Life Underwriters, are keenly aware. To forestall a tax upon all group insurance and avoid abuses generally, major insurance companies are preparing to introduce model state legislation reducing the maximum insurance that can be issued as group term to $40,000.

In addition to life insurance, there are other, less important forms of group insurance involving non-taxable benefits, on the one hand, and tax-deductible costs for the company, on the other. Insurance against accidental death or dismemberment can be purchased quite cheaply as part of and in addition to group life. The low premium of 60 cents or thereabouts per thousand dollars of life insurance may include accidental death or dismemberment.

Group disability represents another increasingly significant form of group policy. The Ford Company has recently adopted a group disability plan providing for payment, after three months of total and continuous disability, of one-third of salary up to $10,000 a year. Under the Ford plan, such payments continue for 10 years if the disability is due to sickness, and until age 65 if due to accident. The cost to the employee is relatively small—about $25 a year.

Other companies offer their employees, including their executives, medical and hospital benefits with the Blue Cross Plan, the Blue Shield or Health Insurance Plan of Greater New York, or under special plans offered by insurance companies.

Of increasing significance in this type of plan is group insurance against catastrophic illness. A number of insurance companies are issuing policies providing for reimbursement of hospital and medical payments up to a figure of $5,000 to $7,500 for each accident or sickness. Such policies usually have co-insurance clauses requiring the employee to pay a percentage, say 20% to 25%, of his medical costs, with the insurance company paying or reimbursing the balance. These plans may provide benefits not only for the employee but for his family as well.

In granting an employee insurance protection that he would otherwise purchase himself, usually at greater cost, such plans offer undeniably important benefits.

Expense Allowances: All of you are familiar with expense allowances in one form or another, and as interesting as this subject is to us all I shall not dwell upon it here except to make three observations:

One. To the extent that an expense incurred by an individual—for example, the entertainment of a customer—can properly be paid by the company, the payment may represent both a tax-free benefit to the employee and a proper corporate deduction by the employer. A high tax period therefore offers a strong temptation to have companies stretch the line for their executives as to what constitutes proper corporate expenses.

Two. As a general rule—and I stress the "general"—the larger companies have resisted the temptation of paying purely personal expenses of their executives. This is not as true in the case of the smaller company and is certainly not as true in the case of the closely-held company.

Three. On the other hand, many companies are today offering their executives tax-free "perquisites," such as executive or employee dining-rooms, with food free or at cost, company automobiles and airplanes, houses or apartments paid for in whole or in part with company funds, home financing, educational opportunities and the like. While certain of these "perquisites" can undoubtedly be justified, on the whole they represent an unfortunate trend. They are inconsistent with free enterprise concepts as we have thought of them in the past and, in addition, can be associated with tax evasion and deterioration in standards of public morals. In this connection, an interesting if pessimistic essay by René Wormser in the American Bar Association "Journal" states that "the unrealistic attempts to equalize us by taxation have made criminals of countless Americans."

The Bureau of Internal Revenue has been attempting a concentrated drive against improper expense allowances and perquisites, but as yet does not seem to have been too successful. In the first place, such items are not always easy to find upon audit. In the second place, as Commissioner Andrews told the House Appropriations Committee last March, his personnel does not permit him to examine more than 2,500,000 out of a total of 55,000,000 returns, or one out of 20 on the average. These figures may be somewhat misleading in connection with our subject matter, because the 55,000,000 figure includes many millions of returns from wage earners which do not present the problems which are here discussed. However, it is undoubtedly an unfortunate fact that an inadequate field staff prevents many tax abuses from being discovered.

Stock Plans

The second broad category into which I have grouped current plans embraces plans offering benefits subject to tax upon a capital gain basis. These plans for the most part involve the issuance of stock.

A stock plan offers an executive not only benefits taxable at capital gain rates, but also, at least in theory, the opportunity of deferring income and selecting the particular year in which he will receive income, the executive's position in this respect being similar to that of a stockholder who can sell stock at a profit in a year in which he has losses or low income. I say that the executive can defer his income "in theory," since the possibility of postponing income will often be a theoretical rather than a realistic possibility. When the executive finds it necessary or desirable to sell stock, he will usually not wish to wait another year or two and take the risk, simply for tax reasons, of a depreciation in value of the stock.

Over the past two and a half years, we have witnessed a tremendous growth of stock plans, due in part to a rising stock market and in far greater part to tax benefits conferred upon stock options by the Revenue Act of 1950. Out of 1,084 companies with stock listed on the New York Stock Exchange, a total of 314 had authorized stock plans as of April 15, 1953, and 276 had stock options actually outstanding on that date. These figures can be looked at in one of two ways. You can say that one out of every four companies listed on the Big Board has adopted a stock option plan. Or you can say that three out of every four companies listed on the Big Board have not seen fit to adopt a stock option plan.

I prefer the latter way of looking at the situation. In my judgment, the indiscriminate use of stock plans without careful consideration of all pertinent factors, particularly factors peculiar to the company, its history, its industry, its personnel, represents an unhappy development. Past experience demonstrates that stock plans which fail to yield profits impair employee morale. Furthermore, at the time of their adoption these plans have, particularly in the case of stock options, caused stockholder resentment and often with justification. They may have serious repercussions upon labor and public relations as well. Finally, these stock option plans that have been adopted in so hasty and widespread a fashion may present serious, unanticipated problems for the employees themselves. I would like to bet that relatively few executives with stock options have given any thought to the problems these options are going to create in the event of death. If the option has not been exercised, how is its exercise going to be handled and financed during the relatively short period—usually three, sometimes six, months after death—provided for in the usual stock option plan? If the market value of the stock on death is greater than the option price, there is a good possibility that exercise of the option will result in an income tax, and there is little doubt that the option will result in an estate tax, which may put the executive's whole estate in far higher tax brackets than anticipated.

I do not mean that a properly conceived and executed stock plan may not offer substantial advantages to the company, its stockholders and its executives. But I do believe that the indiscriminate adoption of stock option plans that has been taking place is going to result in some pretty serious headaches for everyone concerned.

Conversely, I think that stock plans have much to commend them in the case of the smaller and closely-held company. Despite market value problems, and sometimes because of them, stock plans in favor of key executives of such companies, properly conceived can have much to commend them.

Plans Involving Deferred Compensation

The third category into which I have divided executive compensation plans comprise those involving compensation deferred to the future. The deferment of compensation may be on a short-term basis. For example, for many years General Motors, and the Du Pont Company as well, have had a form of bonus plan under which a bonus declared in one year is paid out in part in instalments over future years, with a requirement that the future instalments be "earned out." Thus, if an executive leaves the company's employ before his bonus has been paid, he may forfeit unpaid instalments. These plans, adopted long before we became as tax-conscious as we are today, had as their primary business purpose retention of the executive's services as well as the non-tax purpose of spreading distribution profits from one good year throughout possible bad years. Over the past few years the General Motors plan has been adopted by other companies, including General Electric and Monsanto Chemical.

However, most plans involving deferred compensation defer payment for a longer-term—usually until retirement or other termination of employment. These plans can in turn be divided into group plans and individual plans.

Group Plans

Group plans include pension, profit-sharing, stock bonus, and thrift or savings plans. I shall say only a word about each.

As to **pension plans**, a number of companies are reviewing their existing plans with a view to increasing benefits to top executives. The rules in this respect have been liberalized and it is sometimes possible to amend and supplement existing pension plans by providing additional benefits to top management to make up in part for their drastic loss in take-home pay.

Profit-sharing plans providing for payment of profit-sharing upon retirement are being increasingly adapted to supplement pension plans. Joseph B. Meier, Executive Director of the Council of Profit Sharing Industries, reports that there are between 12,000 and 15,000 profit-sharing plans now in existence and that such plans are being adopted on an average of 20 a week. While the figures given include current profit-sharing, it is safe to assume that a substantial part of the plans currently adopted involve deferred profit-sharing.

Stock bonus plans pursuant to which a trust created through profit-sharing acquires stock of the employer (or of another company) have become increasingly popular through the so-called "Sears Roebuck Amendment" to the Internal Revenue Code adopted in 1951. This amendment provides that, on distribution of stock from a qualified trust, the employee is taxed only on the cost basis of the stock and pays no further tax unless and until the stock is sold at a profit, at which time the profit is subject to tax at capital gain rates. The amendment was adopted largely at the suggestion of the Sears Roebuck Company whose employees own about 25% of its stock through a trust.

The **thrift or savings plan** under which a company agrees to contribute a percentage of every dollar saved by its employees and placed in a trust for their benefit is becoming increasingly popular. At one time confined to the oil and one or two other industries, a number of major banks, in particular, have adopted these plans over the past year. The plans have been subject to criticism in some respects by stockholders, and I believe that they can be considerably improved so as to remove valid stockholder objections.

Individual Plans

The foregoing group plans are all so-called "qualified plans" specifically recognized by provisions of the Internal Revenue Code, under which participating employees are taxed only as and when they receive benefits while at the same time the company currently deducts contributions made on behalf of participating employees. In addition to these qualified deferred plans a number of companies have been making individual arrangements with particular executives for deferred benefits. Such arrangements may be made either because the group plan does not afford sufficient benefits to a given executive or executives or because the funding of benefits to an executive or group of executives would be too costly.

The usual individual arrangement provides for payment to the executive of a specific sum annually over a period of years or over his life following termination of active employment. In return for these payments the executive agrees not to enter into employment competitive with the company and to render advisory and consultive services.

The Need for Legislation

The status of these contracts under our tax law continues to be uncertain. While many tax lawyers and accountants believe that the executive will be taxed only as and when he receives the future payments, the question is not free from doubt. All efforts to obtain an authoritative statement or ruling from the Bureau of Internal Revenue have thus far been unsucessful. Such rulings have been sought for almost three years, and the unwillingness of Treasury officials to assume responsibility by taking a position upon future service or "deferred compensation" contracts is, in my opinion, shocking.

I understand that the subject is at the top of Commissioner Andrews' agenda of matters requiring immediate attention, and perhaps we may anticipate some pronouncement upon the subject within the near future.

On the other hand, the Administration has announced that it will try to avoid legislating through administrative rulings and regulations, and perhaps President Eisenhower will propose to Congress legislation relating to deferred compensation. This would be in keeping with his State of the Union message, in which he called for legislation relating to pension benefits.

Indeed, the uncertain state of the law calls for clarifying legislation in the field of deferred compensation. From a tax point of view, a proper and desirable compensation plan is one which both defers payment of the executive's tax until he receives actual benefits and at the same time permits the employing company to obtain a tax deduction for payments as and when made by the company under the plan. Over the past several years a trend is evident to deny one or the other aspect of this dual objective to plans conferring significant benefits on executives. A general rule appears to have developed that if a plan is a key executive plan in the sense that it primarily benefits executives, deferment of payments to the executive will result either in loss of the corporate deduction or in immediate tax of the executive upon his deferred income. Thus, if a company buys an annuity for an executive and the executive obtains a vested right in the annuity, he is immediately taxable upon the value of the annuity although he may receive no benefit from the annuity except possibly over a period of future years. On the other hand, if the executive has no vested right to the annuity purchased by the company, the company's payment for the annuity may not constitute a proper tax deduction.

These results have been obtained chiefly by administrative determination. In effect, they impose a tax upon cash basis taxpayers measured by future income that may never be received. Perhaps corrective legislation is in order to permit the deduction of payments while withholding the tax upon the executive under deferred compensation plans which serve a valid corporate or business purpose. But in any event the entire subject of deferred compensation calls for legislative consideration.

Death Benefits

I want to say a word here about deferred compensation paid by way of death benefits. In 1951 Congress specifically provided that up to $5,000 in death benefits may be received free of income tax if paid by an employer pursuant to an agreement with his employee. A number of companies have considered granting the death benefit thus encouraged by Congress, but, so far as my own experience is concerned, relatively few companies have adopted this particular benefit specifically.

Pension and profit-sharing plans may provide benefits on death in excess of $5,000, and one reason for the failure to take specific advantage of the $5,000 death benefit exemption may be the belief that this exemption applies to death benefits under pension plans. The Bureau of Internal Revenue, however, has indicated that it may not consider the exemption applicable to all benefits on death under pension and profit-sharing plans. Other companies have not adopted the $5,000 death benefit pending clarification of the law.

Westbrook Pegler's Comments

The foregoing discussion makes clear the primary interest of the executive today in security for his future. The reason is not hard to seek. To have income at age 65 equal to 50% of his take-home pay upon retirement, a $25,000 a year executive must save about $8,700, or more than 46% of his take-home salary, each year. With today's living costs and with the living standards expected of them, few executives succeed in effecting such savings. Accordingly, executives now look to their company for the provision for retirement and family security that they no longer find it possible to make themselves.

This objective has been attacked as a "cynical tax dodge" by Westbrook Pegler. Writing in his characteristically vigorous style (a style for which I have a good deal of admiration as well as a healthy respect), Mr. Pegler states that executive pensions and deferred compensation generally represent tax advantages available to no other group of taxpayers and cannot be justified on moral grounds.

I have difficulty with his argument. Let us take the case of an attorney who has completed a substantial legal job for a company. When it comes to the matter of his fee, is it immoral for the attorney to seek a retainer relating to services over a period of years instead of immediate payment of a substantial sum for the particular job completed? It would seem to be simply good business, at least for the attorney, to seek to establish a long-term professional relationship, under which he would be paid for both work already done and work to be done over a period of time. Let us assume that the attorney is motivated not only by a desire to obtain a permanent client but also by a desire to receive less income in a specific year and thereby minimize his taxes. Is it immoral to seek to avoid and minimize taxes? If so, who will cast the first stone?

A writer using a desk in his home can take as a tax deduction a substantial part of the cost of his home—and it can be a pretty expensive home, too! This can be a perfectly proper deduction—a cost of doing business. I don't see anything wrong or immoral in a writer taking such a deduction even though it may not be available to George Spelvin, American, and even though the deduction means that George Spelvin and we other taxpayers will be paying a part of the cost of the writer's home.

Mr. Pegler's real complaint appears to be that top executives—"fat cats," as he calls them—are being paid pensions out of the non-risk capital of faceless, defenseless stockholders. "Clearly," he says, "it is not good economic hygiene to set aside countless billions of timid, non-risk capital to provide pensions for people who lack the thrift to save money out of ample earnings." But what Mr. Pegler overlooks is that, in contra-distinction to George Spelvin, stockholder, who receives income upon his stock and still has his capital, the executive's income represents in large part something closely akin to a return of capital. An executive lives by selling his services and his income reaches a peak during a limited number of years. It is true that, under traditional and proper ideas of thrift, the earnings of those years should largely be put aside to provide a fund for the future. But, under present rates of taxation, earnings during the executive's peak years are in large part turned over to the Government. The result is that the executive today, unable to save the substantial per cent (perhaps 30% to 40%) of take-home pay needed to assure an adequate retirement income, endeavors to seek protection from his employing company.

If executives are to be denied the right to retirement allowances upon the ground of so-called ample earnings during full-time employment, the leveling-down process that has been taking place through the combined effect of inflation and taxation will have been complete. And Jack Vines, engineer, will have no financial incentive at all to become an executive.

I believe it can also be demonstrated that insurance and retirement benefits for executives cost the stockholder very little and will often be cheaper for the stockholder than increases in salary which executives might otherwise properly claim. Mr. Pegler cites the case of P. C. Spencer, President of Sinclair Oil, who is annually paid a salary and fees of $150,800 and for whom the company annually pays $13,920 towards an annuity. This aggregate annual compensation of about $165,000 costs the holders of the company's 12,200,000 shares of stock, according to my calculations, something less than one-half a cent a share.

John Todd, President of Pension Service, recently cited an actual case to me of a $15,000 executive who at age 50 has a $50 weekly accident and insurance benefit policy, hospital, medical and surgical insurance, polio insurance, life insurance for $30,000, and a prospective pension of $287.50, all paid for in large part by his company. To pay for these benefits himself, the employee would have to receive a salary of almost $25,000, or $10,000 more than he was actually being paid. The cost to the company for the benefits is less than $5,000, and, assuming that the executive would otherwise seek and be entitled to a salary increase, stockholders are saving over $5,000 by having their company pay for the benefits instead of granting a salary increase sufficient to enable the executive himself to do so.

It is similarly conceivable that, in the absence of Sinclair Oil's contribution of $14,000 towards Mr. Spencer's annuity, Mr. Spencer could properly ask and receive a salary increase and would do so in order to buy an annuity. The salary increase needed would problably be between $40,000 and $50,000. The company's contribution towards an annuity is thus a far cheaper way of paying for Mr. Spencer's services.

The real point about Mr. Pegler's approach to the subject is that he looks upon executives as hired help and fails to take into account that management's contribution to the profits and success of an enterprise may well be worth as much as the capital contribution of the stockholder. The fact is that unless management is today accorded rewards of an owner-controller as well as those of a hired expert, the financial attraction of an executive career will be gravely impaired.

Conclusion

Last month Mr. Crawford H. Greenewalt, President of the Du Pont Company, delivered an admirable address to the Executives Club of Chicago, in the course of which he expressed the view that adequate financial incentives for executives are becoming increasingly difficult or impossible to obtain. He suggested as a solution enhancement of the prestige of an executive career. But how will such a long-range solution solve the immediate problem presented by Jack Vines, engineer? To him and to many others the challenge and prestige of engineering or other careers are now far more enticing than the career of an executive, and it may take many years before an executive career can be made sufficiently attractive to compete with the prestige of other careers. At least in the meantime, ways and means must be found to restore the money incentives with which we are familiar and which have always been the motivating force responsible for our incomparable industrial achievements.

How can these means be found without creating popular misunderstanding and criticism, some of it unquestionably deserved? The senior member of a well-known accounting firm, and a wise man, recently wrote me as follows: "While taxes play a dominant role, there is, as you know, a much more pervasive and fundamental problem not only as regards executive compensation but in the whole field of management - stockholder relationship. The ever-growing absentee ownership places great pressure on the fiduciary character of management. Just as there is a surrogate involved to apply judicial balance in estate affairs, I have a feeling that some mechanism will have to be worked out to apply independent review to the self-dealing that is involved in the 'take' of management from the profits."

This is a thought-provoking suggestion. To the extent that a judicial tribunal for such review is contemplated, however, I doubt its practicality.

But the substance of the suggestion has in effect been adopted by several companies which have recognized the desirability of having their executive compensation practices reviewed on an objective basis by independent experts not associated with the company. These companies acknowledged that their officers and employees may be too close to the scene for a proper perspective. They believe also that the absence of an arm's length relationship makes judgment as to the desirability or propriety of individual practices difficult. This difficulty applies not only to the officers themselves but to those at lower levels whose positions depend upon the officers above them, the difficulty applies equally to those with regular and continuing relationships to the company, such as general counsel, accountants, regularly employed management consultants, public relations firms and others, whose position and compensation with the company likewise depend upon the company's officers. Independent experts with no relationship to the company beyond the specific critical task assigned them have no position in jeopardy through their criticism and are thus free to criticize.

Finally, the intricate nature of the field, involving corporate and government regulations in addition to many-faceted tax law, has led to the treatment of executive compensation problems as a separate field. There is just enough superficial similarity between executive compensation and other problems to lead to eventual trouble when general law is applied to executive compensation. Thus, I know of an instance in which competent corporate counsel recommended and put into effect a stock option plan unaware of the law requiring consideration for stock options. When this law was recently reaffirmed in a series of decisions in Delaware and New Jersey, the problems presented the company were manifold.

The best results from independent review have been secured through the appointment of a small committee representative of personnel, labor relations, financial and other departments, and of the company's legal counsel and accountants as well. This committee should be charged to work with an independent expert or firm. The committee's familiarity with the company and its problems, complemented by the expert's familiarity with technical problems, eliminates both delay and expense.

As a result of work with this committee, a report is prepared by the outside expert which is then submitted to the board of directors for its consideration. If and to the extent that the report recommends the inauguration of a new plan or one or more new contracts for executives, the executives affected should be represented by independent counsel so as to avoid the conflicts of interest and charges of self-dealing which way result from having company counsel endeavor to represent both stockholders and management.

I do not say that this procedure will, on the one hand, completely solve the self-dealing problem or, on the other hand, necessarily succeed in finding new and essential incentives for new and old management. But I do believe such a procedure far better calculated to accomplish these purposes than any other of which I know.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

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Continued from page 5

The State of Trade and Industry

companies and their suppliers with the result that steel inventory is accumulating.

Steel price increases have automatically raised the dollar volume of inventory. For financial or other reasons some manufacturers may decide to lower their targets on physical volume of inventory of steel and finished products made of steel.

Steel sales people have noticed some order cancellations recently. But, so far, somebody else has been eager to pick up all tonnage that has become available for this reason, concludes this trade journal.

In the automotive industry output edged upward about 1% with the big three rolling at record rates and most independents showing declines, states "Ward's Automotive Reports."

Total car production last week was 142,820, compared with 141,460 in the preceding period. This was 55% higher than the 92,379 for the like year-ago week, said this trade publication.

This trade authority figures 3,253,000 new cars will have been built in the first half this year, topping the previous record of 3,109.134 in the first six months of 1951. This has occurred despite a 10-week strike at Borg-Warner Corp.'s Muncie, Ind., transmission plant, it declared.

Production has been hurt at Willys, Nash, Studebaker, Kaiser and Hudson by the Borg-Warner dispute, it pointed out.

Other strikes have cut into auto output during the first half this year. Ford, for example, had prolonged crippling strikes at two of its supplier plants: Monroe, Mich., and Canton, Ohio. "Ward's" estimates the industry lost 175,000 cars because of labor troubles during the period.

Despite this, the industry has assembled 3,199,135 cars so far this year, or 47% more than the 2,175,370 in the like period of 1952, it reported.

According to a report by the Tanners Council, it predicts shoe production is headed for the third biggest year in the industry's history. First half output will total 266,000,000 pairs, the Council estimates. That would be 5.5% above a year ago. If the final six months maintain the same pace, the year's output will reach 513,000,000 pairs, compared with 508,500,000 a year ago.

Steel Output Scheduled to Ease a Trifle This Week

This week will leave in its shadow a new record for steel production in this country, says "Steel," the weekly magazine of metalworking.

The new record will be 58 million net tons of steel for ingots and castings for the first half of 1953. Never before has that much steel been made in a first half or second half of a year. The nearest that figure has been approached was in the record-breaking steel production year of 1951 when output in the first half was 52.3 million tons and output in the last half was 52.9 million tons.

Two reasons for the new record is that steel capacity has increased and steel demand is strong. In 1952 steel capacity had increased over that of 1951 but the mid-year strike of steelworkers in 1952 prevented the setting of production records that year. Production at the rate prevailing in the first half of 1953 would yield an annual total of 116 million net tons, only slightly below the industry's capacity at the beginning of this year—117.5 million tons. Capacity this year is supposed to reach 120 million tons, states this trade publication.

Demand for some steel products remains strong, but the intense pressure from consumers has evaporated and steel buyers may even start showing an air of independence, since fear of a steel strike and higher prices are no longer incentives for acquiring additional tonnage. Demand now is strictly a matter of need, this trade paper observes.

Evidence that there is apprehension over what lies ahead is the decision by Lukens Steel Co., Coatesville, Pa., not to raise its base prices of carbon and alloy steel plate in the face of the general increase in steel prices and warnings of impending cost increases. Lukens says it is highly cognizant of the fact its customers have a competitive position to maintain and wants to do all in its power to assist them, "Steel" reports.

It's too early yet to determine what effect the price increases in the steel industry will have on steel demand. Order books for the major forms of steel are still well-filled, and as a result, the near-capacity pace of steel production continues, declares this trade weekly.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 96.1% of capacity for week beginning June 29, 1953, equivalent to 2,166,000 tons of ingots and steel for castings as against 96.8% (revised), or 2,183,000 tons a week ago. For the like week a month ago the rate was 99.6% and production 2,246,000 tons. A year ago when the capacity was smaller actual output was placed at 277,000 tons, or 13.3% of capacity, due to a general steel strike.

Car Loadings Advance 1.9% Above Previous Week

Loading of revenue freight for the week ended June 20, 1953, totaled 812,578 cars, according to the Association of American Railroads, representing an increase of 15,153 cars, or 1.9% above the preceding week.

The week's total represented an increase of 168,609 cars, or 26.2% above the corresponding week a year ago when loadings were affected by a strike in the steel industry, but a decrease of 20,364 cars, or 2.4% below the corresponding week in 1951.

Electric Output Establishes New All-Time Record High This Week

The amount of electric energy distributed by the electric light and power industry for the week ended June 27, 1953, was estimated at 8,446,193,000 kwh., a new all-time record, according to the Edison Electric Institute. The previous record-high was 8,329,297,000 kwh. and occurred in the preceding week.

The current total was 116,896,000 kwh. above that of the previous week. It was 1,128,376,000 kwh., or an estimated 15.4% above the total output for the week ended June 28, 1952, and 1,548,393,000 kwh. in excess of the output reported for the corresponding period two years ago.

U. S. Auto Output Registers Gain of 1% Above Week Ago

Passenger car production in the United States last week continued to turn out a high volume of new cars. The industry, as a result registered a gain of about 1% above the preceding week, according to "Ward's Automotive Reports."

The industry turned out 142,820 cars compared with 141,460 cars (revised) in the previous week, and 55% higher than the 92,379 cars in the like 1952 week.

Total output for the past week was made up of 142,820 cars and 17,587 trucks built in the United States, against 141,460 cars and 17,030 trucks in the previous week and 92,379 cars and 23,889 trucks in the comparable 1952 week.

Canadian factories built 8,161 cars and 2,305 trucks last week, "Ward's" said. In the preceding week they turned out 8,141 cars and 2,400 trucks and in the comparable 1952 week 5,524 cars and 2,581 trucks were assembled in the Dominion.

Business Failures Soar in Latest Week

Commercial and industrial failures rose to 195 in the week ended June 25 from 167 in the preceding week, Dun & Bradsteet, Inc., reports. This increase lifted casualties considerably above the 163 which occurred a year ago and slightly above the 188 in the comparable week of 1951. However, they remained 26% below the comparable total of 264 in pre-war 1939.

Failures involving liabilities of $5,000 or more increased to 161 from 136 last week and 138 in the similar week of 1952. A slight upturn also took place among small casualties, those with liabilities under $5,000. Twenty-four businesses failed with liabilities in excess of $100,000.

Most of the week's rise was concentrated in retail trade where casualties climbed to 105 from 81 a week ago. Small increases occurred in manufacturing, wholesaling and construction. The only decline appeared in commercial service which had 13 failures as against 16 last week. In all lines except wholesaling and service, mortality exceeded the 1952 level with the most notable rise occurring in manufacturing where over twice as many concerns failed as a year ago.

The Pacific States reported a considerable increase in failures to 64 from 40, and Middle Atlantic to 69 from 56, and the East North Central to 28 from 15. These three regions accounted entirely for the week's rise, while mild dips were recorded in five areas and no change in one, the Mountain States. More businesses failed than last year in the Middle Atlantic, South Atlantic, East North Central, and Pacific States; failures were even with the 1952 level in three other regions. Only the New England and West North Central States had fewer failures than a year ago.

Wholesale Food Price Index Reverses Course and Trends Sharply Upward

Following the downward movement of the two preceding weeks, the Dun & Bradstreet wholesale food price index turned upward last week to stand at $6.57 on June 23. This compares with $6.51 a week earlier and marks a rise of 2.8% over the year-ago figure of $3.39. The current index represents a new high for this year the the highest level since Sept. 9, 1952, when it stood at $6.60.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Gains Slightly in Week

Mixed movements characterized the Dun & Bradstreet daily wholesale commodity price index last week. After rising sharply from the previous week's dip, the index trended lower to close at 276.58 on June 23. This compared with 274.53 a week previous, and with 291.35 on the like date a year ago.

Grain markets continued unsettled. Closing prices were generally higher than a week ago after moving irregularly over a wide range throughout the period.

Wheat recovered considerable ground following the sharp dip at the beginning of the week due to the uncertain storage situation and delay in Korean truce negotiations.

Sentiment in wheat was aided by mill buying against liberal sales of flour, and the announcement that the government would make emergency loans on wheat piled on the ground in the dry sections of the Southwest. Harvesting in that area was reported in full swing with some wheat already piled on the ground. Heavy marketings of government grain had a depressing effect on corn but the market rallied on news that further grains had been made to The Netherlands and Norway for the purchase of United States corn. Trading in all grain and soybean futures on the Chicago Board of Trade increased sharply last week. Daily average sales totaled 76,700,000 bushels, against 42,400,000 a week earlier, and 43,200,000 in the same week last year.

Bookings of hard Winter and Spring wheat bakery flours as well as family types expanded sharply last week, as bakers and jobbers sought to protect themselves against price advances. Although volume was the largest in many months, buyers' commitments in most cases did not go beyond 30 to 60 days. Warehouse stocks of cocoa at 156,965 bags, were slightly higher than a week ago and compared with 114,586 bags a year ago. Coffee prices were somewhat firmer as the week closed with most of the strength attributed to buying of Brazilian interests. Trading in raw sugar was quite active with prices mostly steady. Business in refined sugar showed considerable expansion, aided by recent hot weather. Lard prices continued to move downward although live hogs recovered some of the recent sharp declines. Lambs were steady while steers weakened on continued large receipts.

Spot cotton prices were mostly steady and closed about unchanged from a week ago.

Bullish influences included uncertainty surrounding truce developments in Korea and reports of boll weevil infestation in the eastern and central areas of the cotton belt.

Demand for some kinds of cotton gray goods was better and textile prices were steady to firm. Loan repayments on 1952-crop cotton continued light in volume. Loans outstanding as of June 12 totaled 1,925,100 bales. Reported sales of the staple in the 10 spot markets last week rose to 57,000 bales, from 41,300 the previous week, and compared with 69,400 in the corresponding week a year ago. Exports of cotton during April were the smallest for that month since 1948.

Trade Volume Lifted Above Week And Year Ago Aided by Father's Day Sales

Retail sales in the period ended on Wednesday of last week rose above the year-ago and week-ago levels. As 90-degree temperatures marked the official start of Summer throughout most of the nation, consumers increased their purchases of lightweight clothing and cooling devices. Father's Day promotions met with considerable success.

The dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3 to 7% higher than the level of a year ago. Regional estimates varied from the comparable levels of a year ago by the following percentages: New England and South +2 to +6; East +1 to +5; Midwest and Pacific Coast +4 to +8; Northwest +3 to +7 and Southwest +5 to +9.

As was to be expected, the volume of air-conditioning units and other cooling devices reflected marked increases over the preceding weeks. An upturn was also noted in the purchasing of refrigerators and freezers. Furniture and carpeting sales dipped somewhat. Television sales remained slow.

New car voume continued to be well above a year ago although there was some slackening in the demand for higher priced models.

Wholesale trade in the week remained unchanged from the level of the previous week and was moderately above the level of a year ago. The uncertainty over truce negotiations had little or no effect on most purchasers. Commitments continued to be placed on somewhat longer terms than a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended June 20, 1953, rose 13% from the level of the preceding week. In the previous week a decrease of 3% (revised) was reported from that of the similar week of 1952. For the four weeks ended June 20, 1953, an increase of 4% was recorded. For the period Jan. 1 to June 20, 1953, department stores' sales registered an increase of 5% above 1952.

Retail trade in New York City last week showed a gain of about 8% more than the like 1952 period and embraced a broad variety of goods in both hard and soft lines.

According to the Federal Reserve Board's Index department store sales in New York City for the weekly period ended June 20, 1953, registered an advance of 10% above the like period of last year. In the preceding week a decrease of 5% was reported from that of the similar week of 1952, while for the four weeks ended June 20, 1953, a decrease of 1% was reported. For the period Jan. 1 to June 20, 1953, volume registered no change from that of 1952.

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)	July 5	§96.1	*96.8	99.6	13.3
Equivalent to—					
Steel ingots and castings (net tons)	July 5	§2,166,000	*2,183,000	2,246,000	277,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 20	6,470,300	6,477,450	6,359,950	6,155,000
Crude runs to stills—daily average (bbls.)	June 20	¶7,063,000	7,026,000	6,983,000	6,805,000
Gasoline output (bbls.)	June 20	23,542,000	24,210,000	23,143,000	22,258,000
Kerosene output (bbls.)	June 20	2,371,000	2,465,000	2,296,000	2,179,000
Distillate fuel oil output (bbls.)	June 20	10,102,000	9,986,000	9,840,000	10,387,000
Residual fuel oil output (bbls.)	June 20	8,701,000	8,605,000	8,348,000	8,595,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 20	149,535,000	150,757,000	153,923,000	121,613,000
Kerosene (bbls.) at	June 20	29,930,000	25,442,000	22,540,000	21,865,000
Distillate fuel oil (bbls.) at	June 20	82,701,000	79,579,000	67,052,000	60,905,000
Residual fuel oil (bbls.) at	June 20	43,937,000	43,595,000	40,629,000	42,822,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 20	812,578	797,425	769,618	643,96[illegible]
Revenue freight received from connections (no. of cars)	June 20	664,996	655,257	657,494	569,757
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 25	$484,411,000	$249,728,000	$291,296,000	$365,117,000
Private construction	June 25	272,118,000	103,722,000	153,844,000	202,536,000
Public construction	June 25	212,293,000	146,006,000	137,452,000	162,581,000
State and municipal	June 25	158,928,000	112,336,000	97,269,000	114,564,000
Federal	June 25	53,365,000	33,670,000	40,183,000	48,017,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 20	9,865,000	9,350,000	8,785,000	7,897,000
Pennsylvania anthracite (tons)	June 20	689,000	677,000	687,000	773,000
Beehive coke (tons)	June 20	114,700	126,200	138,700	17,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 20	111	*112	112	98
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 27	‡8,446,193	8,329,297	7,956,144	7,317,817
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 25	195	167	168	16[illegible]
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 23	4.632c	4.417c	4.417c	4.131c
Pig iron (per gross ton)	June 23	$55.26	$55.26	$55.26	$52.7[illegible]
Scrap steel (per gross ton)	June 23	$42.17	$40.50	$38.67	$39.5[illegible]
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 24	29.700c	29.700c	29.700c	24.200c
Export refinery at	June 24	29.625c	29.575c	29.700c	35.870c
Straits tin (New York) at	June 24	93.500c	92.000c	95.750c	121.500c
Lead (New York) at	June 24	13.500c	13.500c	13.000c	16.000c
Lead (St. Louis) at	June 24	13.300c	13.300c	12.800c	15.800c
Zinc (East St. Louis) at	June 24	11.000c	11.000c	11.000c	15.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 30	92.89	92.00	91.03	98.30
Average corporate	June 30	102.63	101.97	103.30	109.97
Aaa	June 30	106.56	105.34	106.74	114.27
Aa	June 30	104.66	103.80	105.34	112.56
A	June 30	101.47	100.98	102.13	109.60
Baa	June 30	97.94	97.78	99.20	104.14
Railroad Group	June 30	100.49	99.84	101.47	107.27
Public Utilities Group	June 30	102.30	101.80	102.63	109.60
Industrials Group	June 30	104.83	104.14	105.69	113.50
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 30	3.02	3.09	3.16	2.62
Average corporate	June 30	3.59	3.63	3.55	3.17
Aaa	June 30	3.36	3.43	3.35	2.94
Aa	June 30	3.47	3.52	3.43	3.03
A	June 30	3.66	3.69	3.62	3.19
Baa	June 30	3.88	3.89	3.80	3.50
Railroad Group	June 30	3.72	3.76	3.66	3.32
Public Utilities Group	June 30	3.61	3.64	3.59	3.19
Industrials Group	June 30	3.46	3.50	3.41	2.98
MOODY'S COMMODITY INDEX	June 30	418.4	417.5	419.5	434.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 20	210,031	217,725	203,693	191,104
Production (tons)	June 20	258,844	254,689	249,134	210,043
Percentage of activity	June 20	98	98	96	85
Unfilled orders (tons) at end of period	June 20	509,322	560,897	483,436	374,791
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 26	106.22	106.11	106.24	109.67
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	June 13	29,863	27,636	21,775	25,800
Number of shares	June 13	812,955	752,560	630,331	717,829
Dollar value	June 13	$35,232,660	$34,213,688	$28,504,790	$37,526,369
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 13	23,995	21,331	21,485	21,888
Customers' short sales	June 13	193	174	173	99
Customers' other sales	June 13	23,802	21,157	21,312	21,789
Number of shares—Total sales	June 13	681,345	602,085	584,635	603,346
Customers' short sales	June 13	7,102	7,438	7,849	3,128
Customers' other sales	June 13	674,243	594,647	576,786	600,218
Dollar value	June 13	$26,710,431	$23,895,877	$23,289,207	$25,152,770
Round-lot sales by dealers—					
Number of shares—Total sales	June 13	178,930	184,090	179,530	182,200
Short sales	June 13	------	------	------	------
Other sales	June 13	178,930	184,090	179,530	182,200
Round-lot purchases by dealers—					
Number of shares	June 13	303,410	315,800	242,180	299,390
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	June 6	264,820	217,520	297,810	258,050
Other sales	June 6	6,879,460	6,325,350	6,268,720	6,353,400
Total sales	June 6	7,144,280	6,542,870	6,566,530	6,611,450
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	June 6	719,960	622,140	623,730	695,140
Short sales	June 6	107,630	96,610	154,020	124,880
Other sales	June 6	674,110	562,520	618,170	540,770
Total sales	June 6	781,740	659,130	772,190	665,650
Other transactions initiated on the floor—					
Total purchases	June 6	157,330	137,840	162,600	165,650
Short sales	June 6	22,800	10,900	22,000	9,000
Other sales	June 6	192,480	206,310	166,300	154,760
Total sales	June 6	215,280	217,210	188,300	163,760
Other transactions initiated off the floor—					
Total purchases	June 6	255,915	196,560	222,862	256,129
Short sales	June 6	56,070	41,040	59,960	62,750
Other sales	June 6	296,294	275,330	314,470	322,790
Total sales	June 6	352,364	316,370	374,430	385,540
Total round-lot transactions for account of members—	June 6	1,133,205	956,540	1,109,192	1,116,919
Total purchases	June 6	186,500	148,550	235,980	196,630
Short sales	June 6	1,162,884	1,044,160	1,098,940	1,018,320
Other sales	June 6	1,349,384	1,192,710	1,334,920	1,214,950
Total sales					
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 23	109.5	109.3	109.8	110.7
Farm products	June 23	95.2	95.5	97.3	105.5
Processed foods	June 23	103.0	*103.2	104.8	108.2
Meats	June 23	90.8	91.8	94.3	110.9
All commodities other than farm and foods	June 23	113.9	113.5	113.5	112.3

*Revised figure. ¶Includes 632,000 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. ‡New all-time high record.

	Latest Month	Previous Month	Year Ago
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of April	9,507	*9,659	8,284
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of April (millions of dollars):			
Manufacturing	$44,256	*$44,056	$43,402
Wholesale	10,222	*10,183	9,997
Retail	21,500	*21,096	20,477
Total	$75,978	*$75,335	$73,876
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S DEPT. OF COMMERCE — Month of May (000's omitted)	$222,000	$1,251,100	$234,700
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of June (000's omitted):			
Total U. S. construction	$1,318,070	$1,083,795	$1,140,654
Private construction	677,219	635,079	568,780
Public construction	640,851	448,716	571,874
State and municipal	475,914	350,969	375,068
Federal	164,937	97,747	196,806
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on May 30	22,844,000	22,893,000	23,204,000
Spinning spindles active on May 30	20,013,000	19,926,000	19,513,000
Active spindle hours (000's omitted) May 30	9,489,000	11,608,000	7,532,000
Active spindle hours per spindle in place May	474.4	470.5	415.9
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of May:			
Contracts closed (tonnage)—estimated	306,319	*305,175	209,888
Shipments (tonnage)—estimated	265,000	*262,722	244,222
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of April:			
Death benefits	$164,114,000	$182,781,000	$149,388,000
Matured endowments	36,314,000	40,384,000	38,111,000
Disability payments	8,867,000	9,479,000	8,666,000
Annuity payments	35,049,000	35,193,000	30,671,000
Surrender values	58,826,000	63,630,000	58,473,000
Policy dividends	61,975,000	78,954,000	58,952,000
Total	$365,145,000	$410,421,000	$344,261,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of April (000's omitted):			
Ordinary	$2,075,000	$2,158,000	$1,735,000
Industrial	521,000	560,000	497,000
Group	639,000	619,000	339,000
Total	$3,235,000	$3,337,000	$2,571,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of April (millions of dollars):			
Inventories:			
Durables	$24,932	*$24,746	$23,596
Nondurables	19,324	*19,309	19,805
Total	$44,256	*$44,056	$43,402
Sales	26,709	*25,469	23,538
METAL OUTPUT (BUREAU OF MINES)—Month of April:			
Mine production of recoverable metals in the United States and Alaska:			
Copper (in short tons)	79,565	*80,807	80,528
Gold (in fine ounces)	145,362	*151,068	136,059
Lead (in short tons)	31,049	*30,717	34,496
Silver (in fine ounces)	3,215,354	*3,363,139	3,373,950
Zinc (in short tons)	50,247	*51,803	61,211
MONEY IN CIRCULATION—TREASURY DEPT.—As of April 30 (000's omitted)	$29,843,000	$29,754,000	$28,464,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S. (AUTOMOBILE MANUFACTURERS' ASSN.) — Month of May:			
Total number of vehicles	643,537	723,566	503,917
Number of passenger cars	549,677	596,633	397,486
Number of motor trucks	93,493	126,788	106,008
Number of motor coaches	367	145	423
NEW YORK STOCK EXCHANGE—As of May 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$1,675,173	$1,594,377	$1,311,845
Credit extended to customers	39,830	25,250	33,191
Cash on hand and in banks in U. S.	286,140	308,816	338,346
Total of customers' free credit balances	671,023	737,841	725,691
Market value of listed shares	115,371,199	114,861,878	110,687,572
Market value of listed bonds	98,984,902	98,561,619	97,311,429
Member borrowings on U. S. Govt. issues	71,828	57,753	81,743
Member borrowings on other collateral	1,230,034	1,158,672	885,795
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of April (000's omitted):			
Savings and loan associations	$641,557	$604,854	$539,834
Insurance companies	127,215	125,944	114,162
Bank and trust companies	325,488	316,046	293,095
Mutual savings banks	102,028	91,451	81,329
Individuals	251,790	236,016	234,945
Miscellaneous lending institutions	260,545	252,291	218,796
Total	$1,708,623	$1,626,602	$1,482,161
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of April (000's omitted):			
Exports	$1,384,000	*$1,379,000	$1,352,000
Imports	1,028,000	*1,004,200	932,249
U. S. GOVT. STATUTORY DEBT LIMITATION —As of May 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	266,519,913	264,580,809	259,905,345
Guaranteed obligations not owned by the Treasury	52,310	52,372	45,328
Total gross public debt and guaranteed obligations	$266,572,224	$264,642,181	$259,950,674
Deduct—other outstanding public debt obligations not subject to debt limitation	603,064	605,478	645,819
Grand total outstanding	$265,969,159	$264,036,702	$259,304,854
Balance face amount of obligations, issuable under above authority	9,030,840	10,963,297	15,695,145

Continued from page 16

Picketing Symposium Comments

sion or intimidation, to use property in legal ways.

This seems to be so elementary as to be incontestable. Yet we know that usage, public opinion and the courts have permitted activities which are obviously contrary to this basic conception of civil liberties. We know that it happened because of a desire to protect working men and improve their lot. We know that the process has gone too far, that labor unions have become strong and can be the source of abuses just like any other human institution. We know that working people as well as employers are first of all, citizens and that they benefit by each other's real prosperity. We should know that this is no issue between so-called liberalism and conservatism, nor should it be a political issue except for those who wish to use it demagogically, as a propaganda weapon. It stands first as a problem in civil liberties and proper human relationships.

DON S. CONNOR
Executive Vice-President, Micromatic Hone Corporation, Detroit 4, Mich.

I feel that the Taft-Hartley Act should be greatly strengthened, instead of weakened, in order to further prevent "Iron Curtain" tactics demonstrated by labor unions in the past.

Don S. Connor

As a manufacturer, I very strongly oppose any weakening of the Taft-Hartley Act. Experience with this Law has shown that it promotes industrial peace, gives better protection to the public interest, has increased the freedom of individual employees, and is less biased in favor of labor unions than the Wagner Act.

I believe the following to be the most important issues.

Union Monopoly—We urge Legislation which makes monopolistic strikes unfair labor practice. The exemption of labor organizations from the Anti-Trust Laws should be repealed — union monopolies are as bad as business monopolies. The Taft-Hartley Act should be amended to out-law union shop because any form of unionism which is compulsory is a restriction upon the freedom of individual employees.

State Laws Regulating Strikes—Laws should be adopted so that the power of states to regulate strikes cannot be abrogated by Federal Law. Regulation of strikes is essentially a local problem.

Secondary Boycotts—The ban on secondary boycotts should be strengthened to prohibit secondary boycotts carried on at the site of a primary strike and also secondary boycotts of different employers having common ownership and managements.

Freedom of Speech—NLRB has taken the position that the free speech provisions of the Taft-Hartley Act apply only to unfair labor practices and not to elections. The part which extends the free speech protection to elections should be enacted. NLRB has also held that where an employer addresses a meeting of his employees on his property, the Union must be given a similar opportunity. This doctrine known as "equal facilities" or "captive audience" is unjustified, and this should be made clear by an amendment.

National Emergency Powers — The national emergency provisions of the Taft-Hartley Act have not been given a fair chance to prove their effectiveness. They should not be changed or replaced at the present time.

In my opinion, this issue is most vital, and if the public and people engaged in business are to continue to operate according to the American Ways of Life, instead of under a dictatorship, it is urgent that all steps be taken to protect the American citizen.

FROM A MISSOURI READER

There has been a great deal of picketing of industries on our line, and our train crews in a number of instances have refused to switch industries where pickets were placed across our track. We are violently opposed to such practices and are hopeful that other states will take the same action as did the State of Arkansas in passing an Anti-Picket Law insofar as allowing pickets to prevent rail carriers from serving industries.

For your information, am quoting below the law passed in Arkansas, known as S. B. No. 248, as amended Feb. 16, 1953:

"*A Bill for an Act to be Entitled:*

"'An act relating to interference with common carrier switching at picketed industries; making unlawful a violation thereof; and prescribing penalties and authorizing enforcement by injunctive relief and civil actions; and for other purposes.'

"*Be It Enacted by the General Assembly of the State of Arkansas:*

"Section 1. That where a labor union or striking employees are picketing or causing to be picketed the premises or approach to the premises of any employer (not a railroad), it shall be unlawful for any persons to interfere with, prevent, delay, forbid or obstruct by force or threats, or by standing upon the track or obstructing in any way the progress of any railroad engine, train or cars operated by a railroad common carrier in the performance of its common-carrier duties and moving from or to or past such premises.

"Section 2. That where any labor union or striking employees are picketing or causing to be picketed the premises or approach to the premises of an employer (not a railroad), it shall be unlawful for any person, through intimidation, picketing or otherwise, intentionally to induce or persuade or to seek to induce or persuade any employee or employees of a railroad not to enter, leave or pass such premises with any railroad engine, train or cars operated by a railroad in the performance of its common-carrier duties."

HON. THEODORE R. McKELDIN
Governor, State of Maryland

I do not believe one honestly can say: "I am for picketing in all its forms," or "I am against picketing in all its forms."

Certainly peaceful picketing on the public sidewalks or on any public property is covered by the right of our people to assemble. I feel that under certain circumstances, such as when practically all the open land in and around a town is owned by the corporation which runs the town's industry that the workers have, or should have, the right to assemble for any peaceable purpose on such property, or, at least, on some parts of it.

Violence in picketing never should be condoned. No worker or no patron ever should be forcefully barred from entering an establishment where work is available to him or where the owners have opened the place for business.

In short, the wrong is not in picketing per se: but the right to picket, like any other right is subject to abuse. I believe we now have laws in most states against violence. Such laws should suffice to take care of abuses in picketing.

HON. DAN THORNTON
Governor, State of Colorado

In regard to picketing, I do not condemn such a practice as long as it is done in a peaceful manner —without force, without damage to property, or without threat to human life. In no way must it become a mob-violence type of thing which brings no benefits to either labor or management. I believe labor organizations have the right to peaceful picketing to give public display of principles, goals, and intentions; at the same time, I believe that business organizations share the same right to give public display of their point of view. Actual picketing of labor by business probably has never been done, but I have wondered why such a practice has not been followed—it is a right which I believe both sides should have.

J. D. FARRINGTON
President, Chicago, Rock Island and Pacific Railroad Company, Chicago, Ill.

Since railroads are not subject to the Taft-Hartley Act, I deem it inappropriate to do more than point out one respect in which picketing by employees who are subject to that Act works a hardship on the railroads, and as to which the Act should be amended to remove the injustice presently existing. The law requires the railroads, as common carriers, to transport and deliver all traffic tendered to them, unless prevented from so doing by conditions not now material. Hence, the existence of a picket line at the strike-bound plant which is served by a railroad does not relieve the railroad of its obligation to handle cars to and from that plant. It has become the common practice for railroad employees whose regular duties call for the handling of such cars to refuse to go through a picket line; the result is that the railroad must face suits by shippers or consignees for damages for its failure to perform the transportation service. Some courts have held that since the picketing of the plant is legal under the Taft-Hartley Act, the existence of the picket line is no defense in such suits. Under the present status of Federal law the railroads are unable to secure protection in Federal courts against such picket line interference. This is particularly true where the industry track of the plant crosses a street and the picket line is set up in that street so that no trespass on railroad property is involved. In a few states, the law permits the local courts to enjoin picketing against the railroad transportation; but in most states, no such relief is possible.

J. D. Farrington

The law should be amended either (1) to prohibit picketing of common carriers which serve strike-bound plants, or (2) to relieve railroads from their obligation to serve such plants while such picketing is carried on.

R. E. FISHER
Minneapolis, Minn.

It seems to me that PICKETING by strikers started as a means to keep their own group in line, thus coming to grips with the struck employer; rarely was the innocent third party (The Public) involved. Nowadays it is mostly the third party (The Public) who is ignored by organized labor; sometimes by business.

Some say, "We have the 'right' to strike; to picket." Actually in reality, in nature there is no such thing as "right" or "rights." Only under some system of government by law is it possible to provide a reasonable approach to handling affairs in an honest and equitable manner.

Some groups get power hungry and attempt to run the show as organized labor is now doing; then the Government must protect its citizens. Let picketing be limited to advertising and public relations. Any interference with the person or property of the innocent third party (The Public) should be and is unlawful.

BENJAMIN SAMUELS
Vice-President, Yellow Cab Co., Chicago 16, Ill.

It is rather difficult to give a flat answer that picketing should be declared illegal as a matter of law because I am inclined to believe that labor unions as a rule regard picketing as a strike weapon.

However, from reading reports in our daily newspapers, picketing has gotten out of hand due to the weakness of many judges who do not seem to appreciate the fact that certain types of picketing amount to coercion and threats instead of what is usually regarded as the function of the picket; namely, to advise the public that the particular business happens to be one where the workers are on strike. In this company, we have had one example of the wrong kind of picketing where some 50 men picketed our office, moving around in a set circle to prevent the people wishing to enter the building from having access to our place of business.

It would seem to me therefore that if picketing could be properly regulated as a matter of law, leaving very little discretion in the hands of our judges, it might be a very desirable situation. If the matter is left to the discretion of individual judges, it just gets out of hand and the pickets seem to have free sway to do many acts which sometimes result in slugging and other forms of criminal violence. However, if the matter were strictly regulated as a matter of law by reducing the pickets to such a number where there can be no question but that the laws will be observed and the picket will be restricted to strictly legal means of advising the public that the strike is in progress, I think that would be a very desirable legal situation.

PAUL R. BECK
President, Pennsylvania Refining Company, Butler, Pa.

We do not see how any laws can be made in this country that will eliminate picketing by the employees who are involved in any particular strike at their own place of employment, but we do think there should be laws or regulations eliminating the professional type of picketing — bringing in this type of person from some other plant or some other area to picket a particular location where there is a dispute. This, as we understand it, is commonly known as the "roving" type of picket used by some unions. We also believe something should be done about the picketing of a plant not involved in the strike, simply because they might be in a related business.

H. G. BIXBY
President, Ex-Cell-O Corporation, Detroit, Michigan

I seriously doubt that picketing will ever be completely done away with by any law which makes it illegal. However, I am firmly of the conviction that there is a good basis for doing away with picketing.

H. Glenn Bixby

To begin with, I have always felt that picketing is a sign of union weakness rather than strength. A union picket line is established to prevent union or non-union employees from entering the plant premises during a strike and is to me, an indication that the union either lacks control of its members or feels that the strike issue in itself is not strong enough to keep union members together to the point where they unanimously refuse to work until the strike issue is settled.

Secondly, a picket line situation is always a potential trouble situation to the extent that it may lead to personal or property damage. Certainly, the right to strike, in itself, is a powerful enough weapon available to any union without the necessity of establishing a picket line. Past history has certainly shown that personal and property damage resulting from picket lines is not in the public interest.

Thirdly, the right to establish a picket line very often interferes with the operation of the plant premises by management people who are not involved directly in the labor dispute. To the extent that this happens, I believe it certainly constitutes unlawful possessions.

CHARLES A. PINKERTON, JR.
President and General Manager, Detroit & Mackinac Railway Co., Tawas City, Mich.

My views as to your Taft-Hartley Act symposium can be briefly stated. While I would not deny workers their right to exercise the strike weapon, I do not feel that picketing is absolutely essential to insure the effectiveness of a strike. It appears to me that the practice of picketing is an extraneous function that evolved with the strike and accomplishes little, if any, good to the workers employing its use. Picketing is an evil which provides a perfect vent for emotionally aggressive workers and, consequently, invites violence and bloodshed. This is absolutely unnecessary in a strike. Picketing infringes on the rights of workers who desire to remain on the job by attempting to dictate to them not to work through acts of coercion. To me this abridging of free choice should not be part of our American way of life.

A. H. ROWAN
A. H. & C. L. Rowan, Fort Worth 2, Texas

I see nothing in picketing that violates property rights or civil liberties, providing the picketing is done only as a means of informing the people that there is a strike in the plant. Under the laws of this state, these pickets are limited to, I believe, three persons at each gate. Any mob violence on any account on the part of the unions to interfere with a person's right to enter a plant and work, regardless of the fact that the plant may be on strike, is strictly prohibited in this state. I think the same provision should be put into the Taft-Hartley Bill.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

★ Abbott Laboratories, No. Chicago, Ill.
June 29 filed 700 new participations in the corporation's Stock Bonus Plan and 25,000 shares of common stock which may be purchased for participants in the Plan during the next 12 months. **Underwriter**—None.

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.

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.

Alaska-Wrangell Mills, Inc.
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.

Aluminum Co. of America.
June 18 filed 550,000 shares of common stock issuable under the company's Employees' Stock Option Plan.

• Amurex Oil Development Co.
June 10 filed 250,000 shares of class A common stock (par $5) being offered for subscription by stockholders of record June 30, 1953, at the rate of one new share for each two shares held; rights to expire on July 14. **Price**—$11 per share. **Proceeds**—To finance exploratory and development work. **Offices**—El Dorado, Ark.; and Calgary, Alta., Canada. **Underwriters**—A. G. Becker & Co. Inc., Chicago, Ill., and Dominion Securities Corp., Ltd., Toronto, Ont., Canada.

★ American Pipe & Construction Co., South Gate, Calif.
June 30 filed 100,000 shares of common stock (par $1), of which 50,000 will be offered by the company and 50,000 by certain stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

Applied Science Corp. of Princeton (7/6-8)
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 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.

★ Bearings Specialtists, Inc., Cleveland, Ohio
June 19 (letter of notification) 82,500 shares of common stock (par 50 cents) to be exchanged for 50 shares of Bearings, Inc. (Pa.) capital stock owned by W. E. McIlroy and Jane G. McIlroy.

NEW ISSUE CALENDAR

July 6 (Monday)
Applied Science Corp.......Notes & Stock
(C. K. Pistell & Co., Inc.) $787,500
Great Western Petroleum Co.......Common
(Steele & Co.) 45,000 shares and 90,000 warrants
North American Peat Moss Co., Inc.......Common
(R. A. Keppler & Co., Inc.) $500,000

July 7 (Tuesday)
M J M & M Oil Co.......Common
(Offering to stockholders—no underwriting) about $300,000

July 8 (Wednesday)
American President Lines, Ltd.......Class A
(Bids 10 a.m. PDT) 13,061 shares
Central Telephone Co.......Preferred
(Paine, Webber, Jackson & Curtis and Loewi & Co.) $1,000,000
Commonwealth Edison Co.......Bonds
(Bids noon CDT) $40,000,000
Natural Gas & Oil Corp.......Common
(Offering to stockholders—Not underwritten) 452,129 shares

July 14 (Tuesday)
Mechanical Handling Systems, Inc.......Common
(Kidder, Peabody & Co.) 120,000 shares

July 15 (Wednesday)
American Fidelity & Casualty Co.......Preferred
(Geyer & Co.) $750,000
Northlands Oils Ltd.......Common
(M. S. Gerber, Inc.) $750,000

July 16 (Thursday)
Consumers Power Co.......Bonds
(Morgan Stanley & Co.) $25,000,000
El Paso Natural Gas Co.......Preferred
(White, Weld & Co.) $20,000,000

July 17 (Friday)
Boston Edison Co.......Common
(Offering to stockholders—underwritten by The First Boston Corp.) 246,866 shares
International Telephone & Telegraph Co.......Debs.
(Offering to stockholders—underwritten by Blyth & Co., Inc.) $35,883,300

July 20 (Monday)
Miller Manufacturing Co.......Debentures
(Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $1,750,000

July 21 (Tuesday)
Western Light & Telephone Co., Inc.......Bonds
(Harris, Hall & Co., Inc.) $3,000,000

July 28 (Tuesday)
Jones (B. F.) Oil Co.......Class A Common
(McLaughlin, Reuss & Co.) $299,600

July 30 (Thursday)
Texas International Sulphur Co.......Common
(Vickers Brothers) 400,000 shares

★ Bond Fund of Boston, Inc., Boston, Mass.
June 26 filed 250,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Boston Edison Co. (7/17)
June 26 filed 246,866 shares of capital stock (par $25) to be offered for subscription by stockholders of record on or about July 16, 1953, on a 1-for-10 basis (with an oversubscription privilege); rights to expire about Aug. 3. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—The First Boston Corp., New York.

Brick Discount Corp.
June 10 (letter of notification) 18,500 shares of Class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For working capital. **Office**—601 Genesee Bldg., Buffalo, N. Y. **Underwriter**—None.

Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Postponed

Carolina Casualty Insurance Co., Burlington, N.C.
April 29 (letter of notification) 103,506 shares of class B non-voting common stock (par $1) being offered to stockholders of record April 17 at rate of one new share for each five shares held; rights to expire July 17. **Price**—$2 per share. **Proceeds**—To increase capital and surplus. **Office**—262 Morehead St., Burlington, N. C. **Underwriter**—None.

Cascade Natural Gas Corp., Seattle, Wash.
March 30 (letter of notification) 60,720 shares of common stock (no par) to be offered in exchange for 11,400 shares of 8% cumulative convertible preferred stock (par $5) and common stock (par $5) of Northwest Cities Gas Co. on a 1-for-5½ basis, plus 25 cents in cash. **Price**—$25 per share. **Proceeds**—To acquire aforementioned stocks. **Underwriter**—Sheridan Bogan Paul & Co., Philadelphia, Pa.

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.

Central Telephone Co., Lincoln, Neb. (7/8)
June 12 filed 20,000 shares of cumulative convertible preferred stock (stated value $50 per share). **Price**—To be supplied by amendment. **Proceeds**—To repay advances from Central Electric & Gas Co., parent, and for construction program. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston and New York, and Loewi & Co., Milwaukee, Wis.

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.

Cincinnati Gas & Electric Co.
June 10 filed 100,000 shares of common stock (par $8.50) to be sold to officers and employees. **Price**—$15.50 per share. **Proceeds** — For construction program. **Underwriter**—None.

Cities Service Co.
June 9 filed $3,385,000 of Participations in "Employees Thrift of Cities Service Co. and Participating Subsidiary Companies" and 40,000 shares of the company's common stock (par $10) purchaseable under the plan.

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.

Coleman Engineering Co., Inc., Los Angeles, Cal.
June 18 (letter of notification) 38,000 shares of class A common stock (par $1), of which 8,000 shares will be issued to pay off notes at rate of $5 per share and 30,000 shares will be sold publicly. **Price**—$5.62½ per share. **Proceeds**—To repay debt and for working capital. **Office**—6040 West Jefferson Blvd., Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

Commonwealth Edison Co., Chicago, Ill. (7/8)
June 11 filed $40,000,000 of first mortgage bonds, series P, due June 1, 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 up to noon (CDT) on July 8.

Connohio, Inc. (Ohio), Hartford, Conn.
June 12 (letter of notification) 1,000 shares of convertible preferred stock (par $10). **Price** — $8 per share. **Proceeds** — To selling stockholder. **Underwriter** — S. C. Parker & Co., Inc., Buffalo, N. Y.

★ Consumers Power Co. (Mich.) (7/16)
June 26 filed $25,000,000 of first mortgage bonds due 1983. **Price**—To be supplied by amendment. **Proceeds**—For property additions and improvements. **Underwriter**—Morgan Stanley & Co., New York.

Continued on page 42

Continued from page 41

Continental Sulphur & Phosphate Corp.
June 4 (letter of notification) $37,400 of 5% three-year promissory notes (convertible into common stock) being offered to stockholders up to July 10. **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.

★ **Crown Plastics, Inc.**
June 24 (letter of notification) 673 shares of 6% non-cumulative preferred stock (par $100) and 842 shares of common stock (no par) to be offered in units of one share of each class of stock (169 shares of common to be issued to F. W. Gillespie for promotional services). **Price**—$100 per unit. **Underwriter**—None.

★ **DeKalb & Ogle Telephone Co., Sycamore, Ill.**
June 24 (letter of notification) 25,695 shares of common stock, to be offered for subscription by stockholders at the rate of one new share for each four shares held. **Price**—At par ($10 per share). **Proceeds**—To construct telephone exchange. **Office**—112 West Elm St., Sycamore, Ill. **Underwriter**—None.

★ **Delta Motor Car Corp., Reno, Nev.**
June 26 (letter of notification) 33,500 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For working capital. **Office** — Room 219, 15 East First St., Reno, Nev. **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.

Ekco Products Co., Chicago, Ill.
June 22 filed 30,000 shares of common stock (par $2.50) to be offered under a stock incentive plan.

★ **El Paso Natural Gas Co. (7/16)**
June 26 filed 200,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter**—White, Weld & Co., New York.

● **Electro Manganese Corp.**
June 16 (letter of notification) 15,380 shares of common stock (par $1) being offered to stockholders of record July 1. **Price**—$8 per share. **Proceeds**—For expansion costs. **Office**—1323 Proctor Street, P. O. Box 479, Knoxville, Tenn. **Underwriter**—Bennett, Bennett & Bennett, Minneapolis, Minn.

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.

★ **Fallon Gas Corp., Denver, Colo.**
June 25 (letter of notification) 3,616,000 shares of Class A common stock. **Price**—At par (five cents per share). **Proceeds**—For drilling wells. **Office**—528 E and C Bldg., Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

● **Farrington Manufacturing Co., Boston Mass.**
June 19 (letter of notification) 4,400 shares of class A stock (par $10). **Price**—$11.25 per share. **Proceeds**—For working capital. **Business** — Metal specialties. **Underwriter**—Chace, Whiteside, West & Winslow, Inc., Boston, Mass. No general offering planned.

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.

Gas Service Co.
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**—Temporarily postponed.

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.

★ **Georgia RR. & Banking Co.**
June 17 filed certificates of deposit for 42,000 shares of common stock. It is planned to vote on a voluntary plan of adjustment under which it is planned to segregate the business of the Georgia RR. Bank & Trust Co. and the railroad business and to place the company in a position where it can obtain additional funds in the near future. See also First Railroad & Banking Co. of Georgia under "Prospective Offerings" below.

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.

Grand River Mutual Telephone Corp.
June 22 (letter of notification) 8,000 shares of common stock (par $5) and 1,000 shares of preferred stock (par $45). **Price**—At par. **Proceeds**—For working capital. **Office**—924 Main St., Trenton, Mo. **Underwriter**—None.

● **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. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter** — None. **Offering** — No definite plan adopted as of June 23.

● **Great Western Petroleum Co. (7/6)**
June 22 (letter of notification) 45,000 shares of common stock (par $1) and warrants entitling holders to subscribe for 90,000 shares at $1.25 per share. **Proceeds**—For operating capital. **Office**—332 Empire Bldg., Denver, Colo. **Underwriter**—Steele & Co., New York.

★ **Guardian Loan Co., Inc., Brooklyn, N. Y.**
June 24 (letter of notification) 500 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—162 Remsen St., Brooklyn, N. Y. **Underwriter**—None.

● **Gulf Interstate Gas Co.**
June 11 filed $13,969,600 of 5½% interim notes due Dec. 1, 1954 (subordinate), payable at stated maturity in 5½% cumulative preferred stock (par $20) and 3,492,400 shares of common stock (par $5) being offered in units of $20 principal amount of notes and five shares of stock. Rights entitle holders to subscribe for 698,480 units by issuance of warrants evidencing rights to subscribe for one unit for each five rights held as of July 1; rights to expire on July 14. Stockholders of Panhandle Eastern Pipe Line Co. (except Missouri-Kansas Pipe Line Co.) are being offered one right for each share of Panhandle common stock held. These rights entitle Panhandle holders to subscribe for 577,466 units and Missouri-Kansas Pipe Line Co. to subscribe for 98,662 units. Holders of latter company's common and class B stock will be entitled to subscribe for 22,352 units at the basis of one right for each common share held and 1/20 of a right for each class B share held; 23,352 units will be offered to Superior Oil Co. **Price**—$48.75 per unit. **Proceeds**—From sale of units, together with funds from private sale of $96,000,000 first mortgage pipe line bonds, 4⅛% series due Oct. 1, 1974, to 20 institutional investors, to pay for new construction. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

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.

Home Telephone & Telegraph Co., Emporia, Va.
June 18 (letter of notification) 40,320 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each six shares held. **Price**—$5.50 per share. **Proceeds**—To pay off short-term loans. **Underwriter**—None.

Hotel Drake Corp., New York
June 12 filed 13,573 shares of capital stock (par $5) and $339,325 of 4% 10-year cumulative income debentures due Aug. 1, 1963, to be offered for subscription by stockholders in units of one share of stock and a $25 debenture. **Price**—$30 per unit. **Proceeds**—To repay $300,000 bank debt and for working capital. **Underwriter**—None.

Hunter Creek Mining Co., Wallace, Idaho
June 2 (letter of notification) 160,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For operating capital. **Office** — 509 Bank St., Wallace, Idaho. **Underwriter**—Mine Financing, Inc., Spokane, Wash.

★ **International Telephone & Telegraph Co. (7/17)**
June 26 filed $35,883,300 of 20-year convertible debentures due Aug. 1, 1973, to be offered for subscription by stockholders at rate of $100 of debentures for each 20 shares of capital stock held. Subscription warrants are expected to be mailed on or about July 17, and rights will expire on or about July 31. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for other corporate purposes. **Underwriter** — Blyth & Co., Inc., New York.

★ **Ionics, Inc., Cambridge, Mass.**
June 30 filed 131,784 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay mortgage debt and for equipment. **Business**—Research and development and subsequent commercial exploitation in the field of ion exchange chemistry. **Underwriter**—Lee Higginson Corp., New York and Boston (Mass.).

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.

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.

★ **Leather Industries, Inc.**
June 24 (letter of notification) 137,500 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For equipment and working capital. **Office**—317 So. State St., Dover, Del. **Underwriter**—None.

Lincoln Telephone & Telegraph Co.
June 19 (letter of notification) 9,446 shares of common stock (par $16.66⅔ per share) to be offered for subscription by common stockholders on a 1-for-18 basis. **Price**—$26 per share. **Proceeds** — For improvements and additions to property. **Oifce**—Lincoln, Neb. **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.

★ **M J M & M Oil Co., San Francisco, Calif. (7/7)**
June 23 (letter of notification) up to an aggregate value of $300,000 capital stock (par 10 cents) to be offered for subscription by stockholders of record July 7 (this offering may total about 9% (or 262,248 shares) of the 2,917,558 shares outstanding). **Price**—To be supplied later. **Proceeds**—For working capital. **Office**—155 Sansome St., San Francisco, Calif. **Underwriter**—None.

★ **Mackey Airlines, Inc., Fort Lauderdale, Fla.**
June 26 (letter of notification) 299,500 shares of common stock (par 33½ cents). **Price**—$1 per share. **Proceeds**—For working capital, etc. **Underwriters**—Atwill & Co., Miami Beach, Fla.; and Emco, Inc., Palm Beach, Fla.

★ **Mars Metal Corp., San Francisco, Calif.**
June 26 (letter of notification) 199,999 shares of class A stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—Foot of Tunnel Ave., San Francisco, Calif. **Underwriter** — F. W. Stephens Co., New York.

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. (7/14)**
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.

★ **Metal Goods Corp., St. Louis, Mo.**
June 24 (letter of notification) 1,000 shares of common stock (no par), to be offered to officers and directors and certain key employees. **Price**—$49 per share. **Proceeds**—For stated capital and paid-in surplus. **Office**—5239 Brown Ave., St. Louis 15, Mo. **Underwriter**—None.

Mex-American Minerals Corp., Granite City, Ill.
Nov. 3 filed 113,000 shares of 6% cumulative preferred stock (par $5) and 113,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$6 per unit. **Proceeds**—For working capital. **Business**—Purchase, processing, refining and sale of Fluorspar. **Underwriter** — To be supplied by amendment.

Michigan Consolidated Gas Co.
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. **Bids**—A group headed jointly by Halsey, Stuart & Co., Inc., Harriman Ripley & Co., Inc. and Union Securities Corp. entered the only bid on June 15 for the securities—100.125 for 5s. This bid was rejected. Reoffering had been planned at 101.875 to yield 4.87%.

Miles Laboratories, Inc., Elkhart, Ind.
June 16 (letter of notification) 5,400 shares of capital stock (par $2). **Price**—$18.50 per share. **Proceeds**—To Cathryn Collins Keller, the selling stockholder. **Underwriter**—Albert McGann Securities Co., Inc., South Bend, Indiana.

★ **Miller Manufacturing Co., Detroit, Mich. (7/20)**
June 29 filed $1,500,000 of 6% sinking fund debentures due 1973 and $250,000 of 4½% serial debentures due 1954-1958, inclusive. **Price**—To be supplied by amendment. **Proceeds** — To redeem debentures and to repay bank loan. **Business**—Manufacturer of ball bearing faucet washers, steel castings, hand tools, etc. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

Mobile Gas Service Corp.
June 10 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); rights will expire on July 15. **Price**—$14.25 per share. **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.

Muntz TV Inc., Chicago, Ill.
June 19 (letter of notification) 12,000 shares of common stock (par $1). **Price**—At market (about $3.25 per share). **Proceeds**—To Earl W. Muntz, President. **Underwriter**—L. D. Sherman & Co., New York.

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; rights expire July 7. **Price**—At par ($10 per share). **Proceeds**—For expansion costs. **Underwriter**—None.

National Credit Card, Inc., Portland, Ore.
May 11 (letter of notification) 1,400 shares of 6% 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.

• **National Rubber Machinery Co.**
June 16 (letter of notification) 19,556 shares of common stock (par $10) being offered for subscription by common stockholders at the rate of one new share for each nine shares held on June 24 (with an oversubscription privilege); rights to expire on July 15. **Price**—$13 per share. **Proceeds**—For general corporate purposes. **Office**—West Exchange Street, Akron, Ohio. **Underwriter**—None.

★ **National Security Life Insurance Co. (Ariz.)**
June 25 (letter of notification) 1,000 shares of Class A stock (par $25) and 4,000 shares of Class B stock. **Price**—Of Class A, $50 per share; and of Class B, 10 cents per share. **Proceeds**—For investment in Government bonds and other securities. **Underwriter**—None.

Natural Gas & Oil Corp., Shreveport (La.) (7/8)
June 17 filed 452,129 shares of common stock (par $5) to be offered for subscription by common stockholders of record June 30 at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—To pay $1,500,000 debt and for acquisition of properties and for exploratory drilling and other expenses. **Underwriter** — None. Mississippi River Fuel Corp., owner of 49.76% of the outstanding shares will purchase any unsubscribed shares.

• **North American Peat Moss Co., Inc. (7/6-7)**
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 (7/15)
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.

Overland Oil, Inc., Denver, Colo.
June 10 filed 600,000 shares of common stock (par 10¢) to be offered for subscription by stockholders (except the original incorporators) at rate of one new share for each two shares held. **Price**—40 cents per share. **Proceeds**—For working capital. **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.

Pecos Exploration Co., Dallas, Tex.
June 17 filed 1,725,000 shares of common stock (par five cents), of which 1,150,000 shares are to be offered for subscription by stockholders of Leon Land & Cattle Co. on the basis of one Pecos share for each Leon share held; and up to 575,090 shares are to be distributed as a property dividend on the basis of one-half share of Pecos stock for each Leon share held. **Price** — 33 cents per share. **Proceeds**—For drilling expenses, etc. **Underwriter**—None.

Pennsylvania & Southern Gas Co.
June 1 (letter of notification) 98,240 shares of common stock (par 25 cents) being first offered for subscription by common stockholders of record June 1 at rate of one new share for each share held (with an oversubscription privilege), with rights to expire on July 15; and then to preferred stockholders. Unsubscribed shares to be offered publicly. **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.

Phillips Petroleum Co.
June 11 filed $25,000,000 of participation in the company's Thrift Plan and 444,444 shares of its common stock purchasable under the plan on the open market at current market prices.

Pittston Co., New York
May 20 filed 50,000 shares of 5½% convertible preferred stock being offered for subscription by common stockholders of record June 19 on the basis of one preferred share for each 13 shares of common stock held (with an oversubscription privilege); rights to expire July 9. **Price**—At par ($100 per share.) **Proceeds**—For working capital. **Business**—Natural gas. **Underwriter**—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.

★ **Quinby Plan, Rochester, N. Y.**
June 26 filed $2,000,000 of interests in the Quinby Plan for Accumulation of Common Stock of Standard Oil Co. (New Jersey).

★ **Recovery Oil & Gas Co., Inc., Cincinnati, Ohio**
June 25 (letter of notification) 1,000 shares of common stock (no par), of which 400 shares are to be issued to promoters for oil and gas leases. **Price**—$100 per share. **Proceeds**—To purchase leases and for equipment. **Office**—2007 Madison Road, Cincinnati 8, Ohio. **Underwriter**—None.

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 22 filed $5,425,000 of interests in Employees Stock Purchase Plan and 100,000 shares of common stock of the company purchaseable under 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.

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.

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 leaseholes, 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. **Offering**—Temporarily postponed.

★ **Segal Lock & Hardware Co., Inc.**
June 29 (letter of notification) 7,679 shares of common stock (par $1) to be issued to 23 persons who are the owners of 1,845 shares of 5% cumulative preferred stock (par $1) and 7,545 shares of common stock (no par value) of General Electrosonics, Inc., as consideration for the transfer thereof to Segal Lock & Hardware Co., Inc., on April 10, 1953, at the rate of four Segal shares for each General preferred share and one share for each 25 General common shares. **Office**—395 Broadway, New York, N. Y.

Skiatron Electronics & Television Corp.
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.

Soundscriber Corp., New Haven, Conn.
June 4 (amendment to letter of notification) 15,588 shares of capital stock (no par). **Price**—$6.25 per share. **Proceeds**—For payment of debt and working capital. **Business** — Manufacture of dictating and transcribing machines. **Office** — 146 Munson St., New Haven, Conn. **Underwriter**—None.

★ **Southeastern Fund, Columbia, S. C.**
June 26 (letter of notification) 116,016 shares of common stock (par $1) to be offered to stockholders through transferable warrants; unsubscribed shares to be offered to public. **Price** — To stockholders, $2.15 per share; to public, $2.37½ per share. **Proceeds**—For working capital. **Office**—Palmetto State Life Bldg., Columbia, S. C. **Underwriter**—None.

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.

★ **Speedy Washer Mfg. Co., Miami, Fla.**
June 25 (letter of notification) 2,000 shares of 5% non-cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds** — For working capital. **Business** — Laundry equipment. **Office**—5700 N. W. 35th St., Miami, Fla. **Underwriter**—None.

★ **Technograph Printed Electronics Inc.**
June 26 (letter of notification) 99,906.2 shares of common stock (par 40 cents) to be offered to common stockholders of record July 13, 1953 on a basis of one new share for each two shares held; rights to expire March 3, 1955. **Price**—$3 per share. **Proceeds**—For licensing activities and improving patent position and for working capital. **Office** — 191 Main St., Tarrytown, N. Y. **Underwriter**—None.

Texas Illinois Natural Gas Pipeline Co.
May 6 filed 927,273 shares of common stock (par $1) to be offered for subscription by common stockholders. **Price**—To be supplied by amendment. **Proceeds**—For new construction and working capital. **Underwriter**—None. Peoples Gas Light & Coke Co., has agreed to take all unsubscribed stock.

★ **Texas Internationl Sulphur Co. (7/30)**
June 29 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance cost of drilling test wells of sulphur reserves. **Office**—Houston, Tex. **Underwriter**—Vickers Brothers, New York.

★ **Texota Oil Co., Fort Worth, Tex.**
June 24 filed 250,000 shares of common stock (par 1¢). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis, Minn.

★ **Textron Incorporated, Providence, R. I.**
June 25 filed 4,930 shares of 4% preferred stock, series A (par $100) to be offered in exchange for the 19,719 shares of 5% cumulative preferred stock, series A (par $25) of Textron Puerto Rico, a subsidiary, on a one-for-four basis. Offer to expire Sept. 30, 1953.

★ **250 West 57th St. Associates, New York**
June 29 filed 710 participations in joint venturers' undivided interests in corporation. **Price**—$5,000 per unit. **Proceeds**—To purchase land and building at 250-264 West 57th St., New York City. **Underwriter**—None.

Union Carbide & Carbon Corp.
June 17 filed 500,000 shares of capital stock (no par) to be offered under "The Savings Plan for Employees of the Corporation and U. S. Subsidiary Companies."

★ **United Air Lines, Inc., Chicago, Ill.**
June 24 filed participations in an Employees' Stock Purchase Plan.

★ **United Gas Corp., Shreveport, La.**
June 26 filed 1,171,863 shares of common stock (par $10) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—For repayment of bank loans and for new construction. **Underwriter**—None.

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.

United Production Co., Inc.
June 22 (letter of notification) 294,999 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—

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For drilling costs. Underwriter—Edward D. Walsh Co., New York.

United Specialties Co., Chicago, Ill.
June 22 (letter of notification) 2,800 shares of common stock (par $1). **Price**—At market (about $17 per share). **Proceeds**—To John T. Beatty, President. **Underwriters**—Paine, Webber, Jackson & Curtis; Cruttenden & Co.; and Kneeland & Co.; all of Chicago, Ill.

U. S. Airlines, Inc., New York
May 28 filed 1,000,000 shares of common stock (par 5 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital, etc. **Underwriter**—Gearhart & Otis, Inc., New York.

Vault Co. of America, Davenport, Iowa
March 2 (letter of notification) 10,000 shares of common stock. **Price** — $10 per share. **Proceeds** — For working capital. **Underwriter**—A. J. Boldt & Co., Davenport, Ia.

Walburt Oils Ltd., Toronto, Canada
April 24 filed 660,000 shares of common stock (par $1) of which 550,000 shares will be offered in the United States and 110,000 shares in Canada. **Price** — $1.02 per share in U. S. and $1 per share in Canada. **Proceeds**—For general corporate purposes. **Underwriter**—Sidney S. Walcott, President of company, Buffalo, N. Y.

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.

★ **Webb & Knapp, Inc., New York**
June 29 filed 3,000,000 shares of common stock (par 10 cents), of which 100,000 shares are to be offered after effective date; the remaining 2,900,000 shares will be offered from time to time prior to July 15, 1954. **Price**—At market. **Proceeds**—To William Zeckendorf, President and selling stockholder who owns 11,567,804.7 shares. **Business**—Real estate and other interests. **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 195,694 shares of common stock (no par), being offered for subscription by common stockholders of record June 9 on the basis of one new share for each 17 shares held; rights will expire on July 6. West Penn Electric Co., parent, owner of 3,154,419 shares (94.8%) is entitled to subscribe for 185,554 of the new shares. **Price** — $37.50 per share. **Proceeds** — For construction program. **Underwriter**—None, the parent to buy any unsubscribed shares.

★ **Western Light & Telephone Co., Inc. (7/21)**
June 29 filed $3,000,000 of first mortgage bonds, series G, due July 1, 1983. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Harris, Hall & Co. (Inc.), Chicago, Ill. **Offering**—Expected on or about July 21.

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.

Williston Basin Oil Exploration Co.
June 17 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price**—To be named later. **Proceeds**—For working capital. **Office**—209 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co., Salt Lake City.

★ **Wisco Aluminum Corp., Detroit, Mich.**
June 25 (letter of notification) unspecified number of shares of 6% cumulative preferred stock (par $100) and unspecified number of shares of common stock (par $1). **Price**—At par. **Proceeds**—For working capital. **Office**—3945 A St., Detroit 16, Mich. **Underwriter**—None.

York County Gas Co.
May 25 (letter of notification) 6,000 shares of common stock (par $20) being 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

Allied Stores Corp.
June 16 stockholders voted to increase the authorized cumulative preferred stock (par $100) from 267,486 shares to 400,000 shares and the authorized common stock (no par) from 2,500,000 to 4,000,000 shares. The company has no plans for the immediate issue of any of the new shares. Traditional underwriter: Lehman Brothers, New York.

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.

American Fidelity & Casualty Co. (7/15)
June 8 it was stated early registration is planned of about 150,000 shares of convertible preferred stock (par $5) to be offered for subscription by common stockholders about July 15 on a share-for-share basis; with about a 14-day standby. **Price**—To be named later. **Proceeds**—For working capital. **Underwriter**—Geyer & Co., New York.

American President Lines, Ltd. (7/8)
June 19 it was announced sealed bids for the purchase, as an entirety, of 13,061 issued and outstanding shares of class A stock of this corporation will be received by the Bank of America N. T. & S. A., as trustee under an agreement dated May 14, 1953 between the United States and Mortimer Fleishhacker, et al, at 300 Montgomery St., San Francisco, Calif., up to 10 a.m. (PDT) on July 8.

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.

★ **Bates Manufacturing Co.**
June 25 it was reported company planned to offer and sell 750,000 additional shares of common stock. **Proceeds**—To purchase properties in the South. **Underwriters**—Probably Coffin & Burr, Inc., Boston, Mass., and The First Boston Corp., New York. **Plan Opposed**—Consolidated Textile Co., Inc., is opposing the proposed financing.

Blair Holdings Corp.
June 24 it was announced company plans to issue and sell publicly $2,000,000 of convertible debentures. **Proceeds** — For development of Stanwell Oil & Gas Ltd., newly acquired subsidiary. **Underwriters**—Blair, Rollins & Co. Inc. and The First California Co.

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.

★ **Brunner Manufacturing Co., Utica, N. Y.**
June 23 it was reported company plans public offering of $1,500,000 15-year subordinated sinking fund convertible debentures and 100,000 shares of common stock. **Proceeds**—To build new plant in Georgia, to retire about $250,000 of preferred stock presently held by Prudential Insurance Co. of America, and for working capital. Preferred shares may be exchanged for part of debentures. **Underwriters**—Allen & Co., New York, and Mohawk Valley Investing Co., Utica, N. Y. **Offering**—Expected in August.

Central Bank & Trust Co., Denver, Colo.
June 18 it was announced company plans to offer to its stockholders 100,000 additional shares of capital stock (par $10) on the basis of two additional shares for each three shares held after 50% stock distribution. **Price**—$14 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Boettcher & Co. and Peters, Writer, Christensen, Inc. **Meeting**—Stockholders will meet July 17 to increase capitalization.

Central Hudson Gas & Electric Corp.
June 16 Ernest R. Acker, President, announced that company plans to offer (1) approximately 140,000 shares of common stock to stockholders at rate of one new share for each 15 shares held; (2) 20,000 shares of common stock to employees; and (3) $6,000,000 of convertible debentures to public. **Proceeds**—To pay off bank loans and for construction program. **Underwriters**—Probably Kidder, Peabody & Co. and Estabrook & Co. (jointly). **Offering**—Expected early in September.

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.

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.

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.

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 given the right 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.

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.

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 $25,000,000 debentures in addition to 200,000 shares of preferred stock registered June 26 with SEC. **Underwriter**—White, Weld & Co., New York.

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 16 stockholders of record that date received the right to subscribe for 100,000 shares of capital stock up to July 3 on a one-for-six basis. **Price**—$20 per share. **Underwriters**—Dallas Union Securities Co. and First Southwest Co., both of Dallas, Texas.

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.

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.

● Jones (B. F.) Oil Co. (7/28)
June 10 it was reported company plans issue and sale of 299,600 shares of Class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—McLaughlin, Reuss & Co., New York.

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.

● LaSalle National Bank, Chicago, Ill.
June 25 stockholders of record June 24, 1953 were given the right to subscribe on or before July 24 for 20,000 additional shares of capital stock (par $25) on the basis of one new share for each four shares held. **Price**—$40 per share. **Proceeds** — To increase capital and surplus. **Underwriter**—The Illinois Co., Chicago, Ill.

★ Lincoln National Bank & Trust Co. of Syracuse (N. Y.)
June 30 company offered to its stockholders of record June 25 the right to subscribe on or before July 16 for 30,000 additional shares of capital stock (par $10) at the rate of one new share for each four shares held. **Price**—$23 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Salomon Bros. & Hutzler, New York.

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.
June 10 it was announced company expects to issue and sell in September $12,000,000 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**—$[illegible] per share. **Proceeds** — To help finance a new bottling plant. **Underwriter**—None.

Menabi Exploration Co., Inc., Houston, Tex.
April 8 it was announced company plans to issue and sell $1,000,000 of convertible debentures. **Proceeds**—To finance development of oil properties in Ecuador. **Underwriter**—Kidder, Peabody & Co., New York.

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).

New York State Electric & Gas Corp.
Feb. 27 it was reported that company may, later in 1953, issue and sell $20,000,000 first mortgage bonds (following private sale of 75,000 shares of 4.40% preferred stock, par $100 in February and $5,000,000 of 3¾% debentures due 1991 in April). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Blyth & Co., Inc. and Smith, Barney & Co. (jointly); Hemphill, Noyes & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Harriman Ripley & Co., Inc.

Northwest Natural Gas Co.
March 23 it was reported that this company plans to finance its proposed 1,300-miles pipeline from Canada to the Pacific Northwest by the issuance and sale of $66,000,000 of 4½% first mortgage pipeline bonds to insurance companies and other institutional investors and $9,000,000 of 5% debentures and 1,400,000 shares of common stock at $10 per share publicly in the United States and Canada. **Underwriter**—Morgan Stanley & Co., New York.

Ormond Corp., Albuquerque, N. M.
March 10 it was announced company plans to register with the SEC an issue of stock, which will be offered nationally. **Office**—5003 Central Avenue, N. E., Albuquerque, N. M.

Pacific Northwest Pipeline Corp.
Jan 29 company received FPC permission to file a third substitute application proposing to construct a 1,466-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $186,000,000, including $2,000,000 for working capital. Financing is expected to consist of first mortgage pipe line bonds and preferred and common stocks. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp. Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co.
Dec. 17 Mark R. Sullivan, President, announced that company in 1953 will borrow some $125,000,000 from banks to be refinanced later in year, probably by offering of bonds and additional common stock. Probable bidders for bonds: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; White, Weld & Co.; Lehman 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.

Peoples Trust Co. of Bergen County, (N. J.)
June 15 it was announced stockholders were to vote June 25 on approving issuance and sale to stockholders of record June 9 of 70,000 additional shares of capital stock (par $5) on the basis of seven new shares for each 20 shares held following split-up of present outstanding 40,000 $25 par shares into 200,000 $5 par shares on a 5-for-1 basis. Unsubscribed shares to be offered to public. **Price**—$15 per share. **Proceeds**—To increase capital and surplus.

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.

★ Raytheon Manufacturing Co.
June 10 C. F. Adams, Jr., President, was reported as stating that company was contemplating offering about 434,988 additional shares of common stock to stockholders on the basis of one new share for each five shares held. **Proceeds**—For expansion program. **Underwriters**—May be Hornblower & Weeks and Paine, Webber, Jackson & Curtis. **Offering**—Expected in August.

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.

Silex Co.
June 4 it was reported company plans to offer rights to stockholders to subscribe for about 268,750 shares of common stock (par $1). **Price**—Not less than $3.50 per share. **Proceeds**—To redeem 5½% convertible debentures within four months after their sale. **Underwriter**—None.

South Carolina Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing company to construct approximately 160 miles of pipeline at an estimated cost of $5,945,000. Securities may be sold privately through competitive sale.

South Georgia Natural Gas Co.
Feb. 19 it was announced a FPC Presiding Examiner filed a decision, subject to Commission review, authorizing the company to construct 335 miles of pipeline in Alabama, Georgia and Florida at an estimated cost of $8,141,518.

Southern California Edison Co.
April 23, William C. Mullendore, President, stated that company is considering selling sufficient securities later in the year to raise approximately $30,000,000. **Proceeds**—For 1953 construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Blyth & Co., Inc.; Kuhn, Loeb & Co. Probable bidders for preferred: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly).

Southwestern Gas & Electric Co.
April 29 it was announced company later this year will issue and sell 50,000 shares of cumulative preferred stock (par $100). **Underwriters** — May be determined by competitive bidding. Probable bidders: White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co and Paine, Webber, Jackson & Curtis (jointly); Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Blyth & Co. Inc., and Stone & Webster Securities Corp. (jointly).

Strategic Materials Corp., Buffalo, N. Y.
April 14 it was reported company plans to offer for subscription by its common stockholders about $1,000,000 of additional common stock. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York.

Sunray Oil Corp.
May 13 company disclosed it is planning to issue and sell securities sufficient to raise several millions of dollars of capital to finance two new manufacturing division projects in each of which it would own a 50% interest. **Underwriter**—Eastman, Dillon & Co., New York.

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 indebtedness that the company may create, without consent of majority of the preferred stockholders shall be 20% (instead of 10%) of the aggregate of company's secured indebtedness and capital and surplus

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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 (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.

West Texas Utilities Co.
March 2 it was reported that company plans issuance and sale of 100,000 shares of new preferred stock. **Underwriters**—May be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Harriman Ripley & Co., Inc.; Union Securities Corp.

Westcoast Transmission Co.
April 10 it was stated company may issue and sell $59,000,000 of 4% first mortgage bonds to insurance companies (including Prudential Insurance Co. of America, New York Life Insurance Co.; Northwestern Mutual Life Insurance Co. and several Canadian companies); $25,000,000 of 3% to 4% short-term notes to the National City Bank of New York; and about 3,500,000 shares of common stock for about $30,000,000. **Proceeds**—To finance construction of a natural gas pipe line from the Canadian Peace River field to western Washington and Oregon. **Underwriter**—Eastman, Dillon & Co., New York.

Wisconsin Public Service Corp.
March 17 it was reported that the company may, late this year or early in 1954 issue and sell some common stock to round out its financing program. **Underwriter**—May be The First Boston Corp. and Robert W. Baird & Co. (jointly).

Worcester Gas Light Co.
April 2 it was announced company has applied to the Massachusetts Department of Public Utilities for authorization to issue and sell $3,000,000 of 20-year first mortgage bonds. **Proceeds**—To retire bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co.

Our Reporter's Report

Investment bankers came down to their offices this morning confident they would find that the Treasury, by fixing the rate and other details on its projected five to six billion of one-year securities, had helped to clear the air for potential corporate borrowers.

Meanwhile things were looking up a little from the standpoint of the behavior of the seasoned market and in the new corporate field as well. Underwriters, whether in on the business or not, drew considerable satisfaction from circumstances surrounding the flotation of Pennsylvania Electric Co.'s $12,000,000 of new 30-year, first mortgage bonds.

To begin with, the bidding for this issue was extremely close with only 17 cents per $1,000 piece separating the first and second tenders.

Just to make things a little more encouraging, the subsequent public offering proved among the fastest in recent months and market observers were especially pleased with the turn of events that helped to bring about quick placement of the bonds.

It developed that for the first time in a long while, longer than bankers like to remember, one of the "Big Five" insurance companies was on the buying side, and, reportedly, in a relatively substantial way.

Turn in Tide?

Naturally there was a disposition to look upon the appearance of a member of the "Big Five" as possibly marking a break in the dike that has been holding fast for many months now.

What with being well-committed ahead in the field of mortgage loans and able to put a substantial volume of funds to work through the medium of direct placements, these big institutional investors have been pretty much aloof from public offerings.

But with a slim calendar ahead at least for a few weeks, and with money flowing steadily into their coffers, these investing giants may be inclined to take more of a look at new issues in the weeks ahead. This is particularly true since several undertakings, on which syndicates dissolved in the last fortnight, snapped back quickly to their initial prices or better after dipping momentarily in the free market.

Looking Ahead

Running full into the vacation season, bankers are perhaps satisfied to see things slow down a bit. But the new issue calendar is very likely a bit more sparse than most people would like even under these circumstances.

Next on the list is Commonwealth Edison's $40,000,000 of 30-year first mortgage bonds due up for bids on July 8. Six or seven groups will be competing for this one which will provide the big Chicago utility with funds for its long-range construction program.

The following week, on July 16, Consumers Power Co. is tentatively scheduled to bring to market, via the negotiated route, $25,000,000 of 30-year first mortgage bonds, also to finance construction.

Getting a Bit Cocky

That there has been marked improvement in sentiment throughout the underwriting business is evident from reports that municipal dealers are once again inclined to "put a few bonds away for a ride," in the parlance of the Street.

This trend mirrors the changed thinking in that end of the business where only a short time ago the "blue list" was a bit of a worry. The philosophy is that the market won't change overnight in the wake of the Federal Reserve's action in easing up on required reserves.

But in other areas of the banking business the feeling is not quite that sanguine. Here the disposition is to regard the Reserve's action as something of a "put and call" deal, having the banks free these deposits so that the Treasury will be in a position to take them down with its new issue.

J. D. Chambers With Field, Richards & Co.

J. D. Chambers

(Special to THE FINANCIAL CHRONICLE)

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

James H. Curtin

James H. Curtin, partner in McMullen & Hard, passed away June 20.

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NSTA Notes

activity at this world famous mountain resort which features a variety of night and day vacation entertainment.

Harry Arnold, Goldman Sachs & Co., President of the National Security Traders Association headed the out-of-town guest contingent which included Graham Walker, Joseph McManus & Co., New York; Pete Brittain, Scherck Richter & Co., St. Louis; and from San Francisco, Jack Quinn and Ralph Brown, of Stone & Youngberg; Chick Harkins and Walt Vicino of Blyth & Co.; J. C. Hecht, Jr., Brush Slocumb & Co., and Frank White of National Quotation Bureau.

A. S. McOmber, Revel Miller & Co., President of the Security Traders Association of Los Angeles, attributed the success for another of these famous Southern California Trader affairs to the committee of Bud Tuttle, Chairman, Gross Rogers, Barbour Smith; Tom Euper, Akin-Lambert Co.; and Frank Link, Harris Upham & Co.

CHICAGO BOND TRADERS CLUB

The Chicago Bond Traders Club has announced the winners of the golf contests at the outing at the Nordic Hills Country Club. There was an attendance at the affair of about 200, with 174 attending the dinner.

1st low gross (guests)—Joseph Dempsey, floor member of Midwest Stock Exchange (72).

1st low net (guests) — W. Elzer, Kndder, Peabody & Co. (74-3-71).

1st low gross (members)—F. David Schwanz, Schwanz & Company, Inc., Aurora, Ill. (74). This is the second time he has won the cup.

2nd low gross (members)—Glen Darfler, Kneeland & Co. and Roy Sundell, Julien Collins & Co. (75).

1st low net (members)—Harley Stone, Halsey, Stuart & Co. Inc.

2nd low net (members) — Roy Sundell, Julien Collins & Company.

Other low net (members)—Orion Morris II, Continental Illinois National Bank & Trust Company; Richard Wernecke, Paul H. Davis & Co.; Glen Leason & Co. Inc.; William Becker, Hulburd, Warren & Chandler; Francis Kenney, Dempsey-Tegeler & Co.; Milton J. Isaacs, Straus, Blosser & McDowell; Edward Vallely, John Nuveen & Co.; John Pollick, Swift, Henke & Co.; Chris Newpart, Merrill Lynch, Pierce, Fenner & Beane; J. Ballisch, A. C. Allyn & Co.; W. A. Grigsby, John Nuveen & Co.; Robert W. Impey, John Nuveen & Co.

Special short hole prize.—J. Ballisch, A. C. Allyn & Co.

Blind Bogy—tied by eight players, cutting cards for winner, with A. C. Egner, Jr., Shearson, Hammill & Co., top man. Others who tied were Walter Cooney, Kidder, Peabody & Co.; J. Faust, Kidder, Peabody & Co.; J. Hoppe (guest); W. Webber, A. G. Becker & Co.; John Arthur, David A. Noyes & Co.; Ray Wauchop, Doyle, O'Connor & Co., and P. Haverhurst (guest).

The baseball game was called on account of rain.

Denton Hall Partner in R. L. Day & Co.

R. L. Day & Co. have announced the admission of Denton D. Hall as a general partner of the firm, with headquarters in the New York office, 14 Wall Street. Mr. Hall has been active in the New York municipal bond field since 1933, becoming associated with R. L. Day & Co. in 1952 as manager of the firm's municipal bond department in New York. Prior to that time, he had been a partner of Hall & Company, specialists in tax-exempt bonds. A graduate of Trinity College, Mr. Hall served as a naval lieutenant in World War II.

Athabasca Uranium Mines Stock Offered

George D. Clarke, Ltd., 50 Broad St., New York City, are publicly offering an issue of 500,000 shares of Athabasca Uranium Mines, Ltd. common stock (par 10 cents) at $1.25 per share "as a speculation."

Of the net proceeds, $398,000 are to be used for engineering development and mining, $48,200 for "overdue liabilities," and $25,000 for a contingency reserve.

The Athabasca company is concentrating its efforts on the exploration of claims in the Beaverlodge Areas, Saskatchewan, Can.

La Salle St. Women Elect New Officers

Joan Richardson

CHICAGO, Ill.—La Salle Street Women recently elected the following officers for the club year 1953-54:

President — Joan Richardson, Glore, Forgan & Co.

Vice-President—Myrtle Morton, Nongard & Co.

Recording Secretary — Viola Ford, General Mortgage Investments, Inc.

Corresponding Secretary—Robert D. Kandefer, White, Weld & Company.

Treasurer — Doris Nagel, Carl McGlone & Co., Inc.

E. J. Anderson With Dean Witter & Co.

Dean Witter & Co., 14 Wall Street, New York City, have announced that Edmund G. Anderson has become associated with them in their municipal bond department. Mr. Anderson was formerly with B. J. Van Ingen & Co., Inc.

Hyde Gillette in Air Force Post

Announcement has been made of the appointment of Hyde Gillette, Chicago investment banker, as Deputy Assistant Secretary of the Air Force. Mr. Gillette, a partner of Glore, Forgan & Co., Chicago and New York investment bankers, has resigned from that firm as of June 30, 1953.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla.—Bruce S. Bucher has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 100 East Robinson Ave.

Joins George P. Fogg

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James B. Greason, Jr. is now affiliated with George P. Fogg & Co., 201 Devonshire Street.

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Illusion About Trade-and-Aid

schilling and 80 groschen going to the Sulzau workers the 80 groschen are knocked off of the take-home-net for these purposes.

Non-Union Labor

It might also be interesting to the minority of low-tariff American labor leaders that of the two million workers comprising Austria's labor force, only 1.3 million are union members; and there are no union or closed shops.

Not Simply Replacing Aid With Trade

Thus, in this important debtor country we see that elimination of a $200 million payments deficit is not a simple clearcut operation through a stroke of tariff reduction or reform. Because of the still largely unsatisfied need for modern equipment, inability to cope with U. S. distribution and servicing techniques, and shipping costs for the long-haul of many heavy goods; even the most radical tariff reduction which is being agitated for, would not open U. S. markets to the needed extent.

And there is indeed need for clarification as to just who actually is, and who should, do the subsidizing in the course of holding up the world's "backward area" economies. A fair statement of the currently popular reduced-tariff-trade-for-aid credo goes something like this:—*A tariff is actually only a concealed subsidy paid for by all consumers. Since World War II's end, the U. S. has spent $38 billion for foreign aid. In the same period the amount of the excess of U. S. exports over imports has totaled $34 billion. In effect much of this has been a subsidy which all taxpayers have paid to industry because U. S. tariffs have not permitted foreign nations to earn their own way by imports to the U. S.*

It would be true that our consumers and taxpayers would have constituted the footers of a subsidy bill to manufacturers, if the foreign aid had been used to pay for the excess of our manufacturers' exports. But actually, much of the aid funds—ERP and Army payments—have not been used to import American goods. And as we have shown above, much ERP money is being devoted to the acquisition of plant and capital equipment (some from other countries) with which to compete with American manufacturers in the United States and foreign markets. In lieu of the concept of the manufacturer being subsidized by the taxpayer, a converse case can be made out that the manufacturer is being taxed twice in the process—once for his citizen's share of foreign aid, and again in having the subsidized low-labor-cost production thereof dumped against him on his home market.

In any event, recognition of the qualificaitons to the trade-for-aid nostrum should prompt some thorough re-thinking on the subject.

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The Market . . . And You

tion should prove effective in restraining selling waves to moderate proportions, probably substantially short of anything like a bear market, while during the more optimistic periods the better-situated groups and individual issues will have a chance to work out satisfactorily their own prospects.

* * *

Dull Markets Loom

If the market outlook over the third quarter cannot be said to be downright good, neither does it appear outright bad. Since in itself the summer season makes for a contraction in interest, the balanced background plus the hot weather seem to promise some dull, low-volume weeks ahead.

Looking beyond the summer, the market this fall and early winter could very well take on a more optimistic hue. On the assumption, which we think safe, that business activity will be maintained at an excellent level at least through the coming winter, the closer approach of the presumption of lower taxes in 1954 could bring some speculative play into the market. This would tend to increase in proportion as investors calculate their chances for a break. There exists a super-abundance of liquid capital, and not much of it will have to flow into the price structure to make quite a difference, if the owners of this available fund ever think the time finally has come again to start taking chances on the 1952 promises of the party in power. They did just this during November and December of last year, and got burnt. No doubt they will be more cagey next time, but nevertheless they can be counted upon to be in there pushing when the time comes, as it will this fall and winter, if ever within the discernible future.

* * *

Attractive Groups

Some of the groups which could, and probably will, perform considerably better this coming fall are the following:

RAILS—May reports were up to expectations, and this will be the last normal monthly comparative in some time. The next three at least will be heavily better, more so in the East and less so with the distance from the big steel centers. Since overall 1952 net figures were high in relation to prevailing equity quotations, the still higher levels both at hand and ahead promise to cut price-earnings ratios to pathetic proportions. These will reflect the investor disinclination to believe that even the so-called conservative Administration now icing the Washington cake will maintain current wage-rate ratios. But even if this ratio does deteriorate to some extent, what is left amply should warrant an improvement of material proportions in this section of the list.

STEEL—Price increases recently were wide enough not only to offset the wage boost, but to add something over. While the second quarter earnings comparative will be good, the third quarter figures, due the latter part of October and November, should be really stimulating. The fourth quarter may have a chance to prove that earnings still will continue high even if operations do slide off a bit from the full capacity level. It can be figured that net profits will be just as high, or ought to be, on around 90% output as on full capacity operations, due to the elimination of many excessively high costs required to maintain tonnage continuously at the top rate. Unless the economic outlook for 1954 seriously deteriorates, seemingly a most unlikely contingency, steel stocks on the earnings ahead could recover substantially over the coming fall and winter.

NATURAL GAS—New top records in virtually every part of the industry will be recorded during 1953. Future growth possibilities seem very great, and near at hand. A double leverage is in operation, in that prices are rising stiffly at the same time that sales in physical terms are expanding rapidly. While there is a time lag between increases in costs and higher rates, due to the slow operation of the regulatory authorities, in general the gap is tending to be reduced, and fair rates are being established. In addition to its value as fuel, natural gas increasingly is being recognized as an invaluable raw material for chemical processes. Wherever available, natural gas overcomes all opposition, being considerably cheaper in equivalent BTU content than either coal or oil, a margin which increases as the price of the latter two commodities increases. Present depressed market prices, well below the highs recorded around the turn of the year, seem under long-term values, with the outlook for the winter good enough to warrant retention by investors interested in slow but steady and well-assured growth.

* * *

CHEMICALS—The growth characteristics of this industry require no elaboration, but the future may be even more so than the past. Developments reported to be coming seem fit more for the comic sheets than for the sober capitalist, but nevertheless are stated as facts, not fiction. Examples: Cloth which will shed dirt, motor oil which will never wear out, ditto auto tires, ditto paint, surfaces to which nothing will stick, not even glue, and a widespread improvement in the fire-proofing of fabrics, wood, and most items now considered combustible. This list hardly scratches the surface. The improvement of soil employed for raising crops, together with the control of pests, should so heavily boost the agricultural output as to break the price-control system and cut food costs radically, while getting everybody the top-quality items. Given a tax break this coming winter, especially in respect to the iniquitous EPT, the buying of this group could bring outstanding market results over the next six to 12 months.

* * *

Other industries to which attention should be directed are Air Conditioning, Aluminum, Cement, Corn Products, Oil Producing, Electrical Equipment, Electronics, Finance Companies, Tobacco, Cigarettes, Grocery Chains, Containers, Insurance, and the Utilities.

[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.]

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—President Eisenhower's decision to blast loose an Excess Profits Tax extension bill is rated easily as one of the most potent news developments of the year.

One of the obvious consequences has been to show that Mr. Eisenhower has been able to achieve what neither of his two predecessors, Roosevelt and Truman, ever came anywhere near doing. He controls the Rules Committee of the House.

If the Rules Committee is able to take up and report out a proposition assigned clearly and without equivocation to a legislative committee, then something new and of the broadest significance has been added to American government, in the most cautious opinion of members of Congress steeped in parliamentary and Constitutional law.

Already the use of this procedure has served in effect to change the minds of committee members opposing the EPT extension vote in committee. This is of considerable significance even if the proposed new extraordinary power for the Rules Commitee is not, as it were, put to a test of its validity in the House.

Rules Committee Has Two-Fold Function

The Rules Committee has a two-fold function. The first is that it paves the way for consideration of legislation favored by the dominant leadership of the House, after it has cleared a legislative committee.

When a piece of legislation is reported out of a House committee, it goes on the House calendar. The House considers calendar bill legislation in theory every Wednesday, but in fact often dispenses with the calendar.

Even when the calendar is called, the clerk starts the roll alphabetically with the Committee on Agriculture, next Armed Services, and so on, staying on each committee until its business is disposed of.

In practice this procedure is so slow that it is reserved only for unimportant legislation slightly but only slightly more important than nondescript, unimportant legislation placed on the "consent" calendar. Consent calendar legislation is passed if there is voiced no objection. Thus it presumably passes by unanimous consent of the House.

When any legislation of consequence arises, the Chairman of a Committee is directed by his committee to ask for a rule. This rule sets aside a definite number of hours for debate on the bill, and determines how broadly, if any, the legislation may be subject to amendment from the floor.

Whenever a rule (to bring up a bill) is itself called up, then the legislation in question is brought up in effect for consideration.

Is a Pigeon Hole

The second broad function of the Rules Committee of the House is to veto numerous pieces of legislation of a tinsly popular appeal which it would embarrass members to have to record themselves upon. Thus, if Townsend could have had his $200 per month pension bill reach the floor for a record vote in the depression '30s, many a member of Congress who personally knew better, would have been hard put to answer "no" to the roll call for the record on this proposition.

Committees also, however, share the responsibility of pigeon-holing superficially popular but fundamentally unsound legislation. Working on their own or in cooperation with the leadership, they manage to shelve and forget many a popular vote-getting scheme which might either bankrupt the country or tear asunder its social fabric.

Thus the committee system serves as the primary machinery for expressing the will of the House leadership in both quashing legislation and in selecting that which in the opinion of the leadership is desirable. This is true even if committees do not conform entirely to leadership wishes.

The Rules Committee, on the other hand, is a residual backstop against popular legislation undesirable for one reason or another. Where the heat is too severe for a committee to sit on legislation, and popular pressure forces the committee in its opinion to act, then the boys on the Rules Committee are the place where the legislation is shunted for derailing. They are stout-hearted gentlemen selected for the purpose.

Tax Cases Illustrate

The two pending tax controversies in a way illustrate these functions of the Rules Committee. In this particular case the Ways and Means Committee, by a vote of 21 to 4, voted out the Reed bill to move forward to June 30 from Dec. 31, the statutory expiration of the second personal income tax increase voted in 1951.

Perhaps there was considerable pressure for this legislation, but in fact it appeared in this case to represent the convictions of a majority of the Ways and Means Committee.

However, the Eisenhower Administration did not want the Reed bill passed, so the Rules Committee refused in writing to grant a rule for its consideration. There is little doubt but that if the Reed bill had come to a floor vote it would have passed overwhelmingly at the time, two or three months ago, and would have been reported promptly to the Senate.

So the Rules Committee acted as an agency to quash something which the Eisenhower Administration considered undesirable.

On the other hand, the Excess Profits Tax extension was regarded as one of those issues which, if it came to a vote, probably would pass in the light of the current legislative situation: Since the the Administration has successfully stopped personal income tax relief, if the EPT were not extended, or members voting against extension, "would have been voting for the corporations at the expense of individuals."

So the Ways and Means Committee determined, until the Rules Committee intervened, that it would not clear EPT for a vote. The idea that Dan Reed alone stopped EPT, or that it is only a fight between Dan and the leadership and Mr. Eisenhower, is just a well-established fairy tale.

Under intense lobbying from the White House and the House leadership, several Republican members of the Ways and Means Committee admitted privately they would vote to report—not necessarily favorably—to allow the House to vote.

However, these members were 4 to 1 personally in favor of stopping the EPT extension, and were personally gratified, as is no secret, that Dan Reed took the gaff for them. If a majority of ten Republicans and five Democrats, prior to a week ago, were personally the least bit enthusiastic for reporting out EPT as Halleck alleged, it would have, as Rep. Jere Cooper (D., Tenn.) said directly to Charley Halleck, been reported out two weeks previously. Mr. Cooper is ranking Democrat on the W&M Committee and one of the ablest parliamentarians of the House.

Presents New Situation

So the EPT extension presented a new procedural problem to the House GOP leadership. The W&M Committee exercised its power of quashing legislation on an issue the Administration did not want to quash. Heretofore the quashing problem which has irritated Presidents has been the disposition of the Rules Committee to drown legislation.

Heretofore the Rules Committee has never presumed to propose entirely new legislation not reported out, and in opposition to a legislative committee. To be sure, the Rules Committee has often been cavalier with changing legislation reported out, but it has never, so to speak, reached into a committee pigeon-hole and brought legislation to the surface.

Implications Are Broad

If Mr. Truman had had such a control over his Rules Committee, in all probability the House would have voted upon Federal aid to education, a Federal Fair Employment Practices law, on compulsory health insurance, and upon a still higher boosting of income taxes in the upper brackets.

Not even those who criticize Mr. Eisenhower believe that the President of today would seek to broaden the precedent he has thus tentatively established via the Rules Committee, in order to bring in revolutionary social and economic legislation.

However, during the course of time Presidents and Congresses change.

Dems Politick on Small Business

Democratic politics is to kill the idea of a Small Business Administration bill such as the House passed and further tacked on to the extension of materials controls legislation. They feel that if an agency devoted especially to small business is not created by Congress they can say, in effect:

"See, the Administration is letting RFC die and those big bankers in the Administration are doing nothing to help small business."

Republicans are politicking too, by recognizing the prospective Democratic argument and trying to create the proposed Small Business Administration, which the House passed and the Senate tentatively killed with solid Democratic opposition.

(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

"—This is our latest model—it's equipped with a built-in compartment for aspirin and smelling salts!"

Joins Anderson Cook

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Edgar V. Archambeau has been added to the staff of Anderson Cook Company, Inc., First National Bank Building.

COMING EVENTS

In Investment Field

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

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

Oct. 13-16 (Louisville, Ky.)
Association of Stock Exchange Firms Board of Governors Meeting.

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

June 9-12, 1954 (Canada)
Investment Dealers Association of Canada Annual Convention at Jasper Park Lodge.