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The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 178 Number 5276 New York 7, N. Y., Thursday, November 26, 1953 Price 40 Cents a Copy

EDITORIAL

As We See It

This seems to be open season for argument about political "strategy." The year 1954 will, of course, bring elections which will determine the make-up of the next House of Representatives and a large part of the Senate—in addition to many local offices and legislatures. The Republican party is now operating in the national capital with the thinnest of margins. The Democrats, a lusty minority after about three decades of having things as they wanted them, are ardent in their desire, not to say hope, of getting back into power. This they aim to do so far as Congress is concerned in 1954.

To the Republican party it appears essential that they not only hold their present position in Washington but strengthen it appreciably. How to accomplish such aims has for some time been occupying the time and the minds of professional politicians in both parties. Whether or not by careful design, as is now widely alleged and more or less tacitly admitted, the precipitation of what has become known as the White case has introduced an issue into the campaign at an early stage, and stimulated political maneuvering which might otherwise have more slowly developed.

But the general public, the non-political public if there is such a thing in this country, has a real stake in these things. Behind and beyond the political jockeying for position, there are important real issues. Equally important, there lurk in the background vital matters which should be settled next year regardless of political advantage to this or that political party or organization. It is of the utmost importance that the rank and

Continued on page 39

Interest Rates and Outlook For High Grade Bonds

By ROGER F. MURRAY*

Vice-President, The Bankers Trust Co., New York

Asserting interest rates are a cyclical phenomenon, New York banker lists grounds for higher interest rates throughout world. Finds uncertainty of business outlook affecting high-grade bonds, and analyzes supply and demand factors in capital market. Concludes interest rates will change little from present levels. Warns, however, it will be necessary to re-examine the money market situation from time to time and to retain as much flexibility as possible to get along in a fluctuating bond market.

The Cyclical vs. the Secular Trend Approach

The difference of opinions which make markets and which moderate the fluctuations in interest rates seem to center around the basic concept as to the cause of rate changes. On the one had, we have a large and influential group of bond market students who subscribe to what might be called a secular trend approach to interest rates. According to this view, interest rates move in one direction for long periods of time and in conformity with basic long-range trends in the economy. From 1903 to 1920 would represent a major move in the direction of a substantially higher level of rates. The next major swing would be from 1920 to 1946, when the all-time low in rates was recorded. Presumably we are now embarked on a rise in rates, only temporarily interrupted in 1949, which ought to last at least through 1960 and perhaps considerably longer. Despite intermediate periods of easing, one

Roger F. Murray

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*An address by Mr. Murray at the Investment Forum of the Savings Banks' Association of New Jersey, Newark, N. J., Nov. 18, 1953.

Convertible Currencies in Free World Is on the Way

By W. RANDOLPH BURGESS*

Deputy to the Secretary, U. S. Treasury Department

Dr. Burgess, asserting the two major economic problems of the world during the last two decades are unstable currencies and trade barriers, finds progress is being made both in the lifting of trade barriers and in a return to convertible currencies. Says today there is more widespread understanding that unsound internal monetary practices lead to difficulties and hamper international trade, and points out recently trade imbalance and exchange difficulties have eased considerably. Europe, in particular, he asserts, has attained a balance in its dollar accounts, notwithstanding increased defense expenditures.

After I had accepted the invitation to appear here today I decided, with some trepidation, to read a statement which I made to this same organization just 15 years ago this month. You can understand my trepidation. In the decade and a half that has elapsed since that time many things have happened. Great changes have come over the world.

But I found the 1938 statement timely for it dealt with the two major economic problems of the world today — unstable currencies and trade barriers. These two were then and are now the two great economic obstacles to progress.

Trade Barriers

As to trade barriers, we were faced in 1938 with the prospect that new techniques of restricting trade—the Hitlerian barter deals and quota systems—might become permanent, and dominate the world trading picture. It seemed possible that all semblance of a single world market might

W. R. Burgess

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*A paper by Dr. Burgess delivered at the International Finance Session of the 40th National Foreign Trade Convention, New York City, Nov. 16, 1953.

PICTURES IN THIS ISSUE—Candid shots taken at the Pre-Election Beefsteak Dinner held by the Security Traders Association of New York appear on pages 25, 26, 27 & 28.

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(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

Metal & Thermit Corporation — Aaron Netburn, Securities Analyst and Trader, New York Hanseatic Corporation, New York City. (page 2)

Polaroid Corporation — Milton Pinkus, Troster, Singer & Co., New York City. (page 33)

AARON NETBURN
Securities Analyst & Trader,
New York Hanseatic Corporation,
New York City

Metal & Thermit Corporation

Among the thousands of companies whose securities are unlisted, there are many that can point to enviable records of successful operations, but are relatively unknown to the investing public. One of these companies is the Metal & Thermit Corporation which has been in business since 1908 and under its present name since 1918. When we talk of enviable records one of the things we have in mind is Metal & Thermit's record of uninterrupted dividend payments for 43 years.

A. Netburn

An original investment of less than $1,000,000 has since grown into a company with total assets of over $15,000,000. The American Can Company was one of its organizers and is one of its larger stockholders, being represented on the Board by three Directors. Its capitalization consists solely of 3,887 shares of authorized and outstanding non-redeemable preferred (of which 215 shares are in Treasury account) and 400,000 authorized common, of which 391,443 shares are outstanding, and the balance is reserved for sale to employees.

Activities

The principal activity of the company is the detinning of tin plate scrap, an important source of which is the American Can Company. The operation produces tin and detinned steel scrap. The steel scrap is sold to steel companies. The tin is sold to metal companies and finds use in such products as: solder, babitt, bronzes, etc.

During recent years, an increasing amount of tin has been converted directly by the company into tin chemicals. Some of the latter are used in the plastics industry as stabilizers to prevent deterioration of vinyl plastics when exposed to heat and light. The electroplating field is supplied with tin chemicals and anodes in electrotinning operations. The development of new methods of electroplating with various tin alloys, such as tin-zinc and tin-nickel as a replacement of other plating metals is opening up new fields for the company in the electronic, hardware, and automotive industries.

Besides tin chemicals, the company manufactures antimony and zirconium compounds, the uses of which are mentioned below. Since the end of the war, sales of chemical products have increased in importance to the point where they now represent an increasing percentage of total sales volume. These products have resulted from the efforts of a relatively large and well-equipped research staff maintained in a modern laboratory located at Woodbridge, New Jersey. Recent new developments from the laboratory show promise of finding use in the pharmaceutical industry and other fields far removed from the company's usual markets. The chemical division is contributing substantially and increasingly to earnings as new products are developed and new uses are developed for old ones.

The company operates three detinning plants, having an annual capacity for processing over 200,000 tons of tin plate scrap. These plants are strategically located, one each on the East Coast (New Jersey), West Coast (California), and Middle West (Indiana). Tin & Chemical Corporation, 65% owned, operates a modern up-to-date detinning plant at Baltimore, Md.

Another important activity is the production of electric arc welding rods which are widely acknowledged in the welding industry as an excellent product. In addition, Metal & Thermit supplies welding accessories and machines, so that it now offers a complete line of arc welding materials and equipment.

Production and sale of Thermit is an important and active branch of the corporation's business. Thermit, which is a mixture of powdered aluminum and iron oxide, is used for welding purposes. Thermit welding is used principally in welding heavy steel castings, such as steel mill equipment, marine machinery, railroad tracks, etc. Recent development of a new high speed, low cost design of weld has opened up a new source of business in the construction field. This weld is being used to join heavy reinforcing bars to make long lengths required in building bridges, dams, and other large concrete structures.

The company manufactures and sells antimony and zirconium compounds which are used primarily in the ceramic industry, as "opacifiers" (ingredients which make glazes and enamels opaque). This activity gives the company a stake in the building industry. Common ceramic products are bathroom fixtures such as tiles, bathtubs, wash basins, etc. Through subsidiaries, wholly or partially owned, the company participates in the following activities: Production of rutile, used in coating electrodes; production of ilmenite, used as a base for titanium oxide for the paint industry; licensing of patents for chromium plating, and electroplating with chromium, copper, nickel and other materials.

Earnings Comment

Since 1943 sales have practically doubled, while earnings have shown a commendable 78% rise. However, if the company had not had to pay an excess profits tax of $280,000 in 1952, earnings would have more than doubled. Nineteen fifty-two excess profits tax amounted to 72¢ per share common.

For the first time in its history, the company released a statement of income for the first half of 1953, compared with the first half of 1952. From now on this will be the company's policy. First half 1953 sales improved 21% over those for the same period 1952; net before taxes improved 40.6% and net after taxes improved 55.5%. Net income per share amounted to $1.90, against $1.21 last year. Excess profit taxes provided for in the first half 1953 appears to be about 63¢ per share common (no breakdown of Federal taxes is provided). Furthermore, earnings of subsidiary and affiliated companies are not included in these earnings, but the company states that they were better in the first half 1953 than in the previous year. Distributed and undistributed earnings of subsidiary and affiliated companies in the year 1952 amounted to 71¢ gross per share. Earnings for 1953 can reasonably be expected to be better than those for 1952, barring unforeseen developments. The regular 50¢ quarterly dividend was recently supplemented with a 25¢ extra.

Balance Sheet Comment — 1952

Total current assets amounted to $9,070,000, against total current liabilities of $3.517,000—a ratio of 2.58 to 1.00. While slightly less than 50% of current assets is in inventories, a fixed amount of tin in process is carried at a constant price which is substantially below cost or market, and the rest of the inventory is priced at the lower of cost or market.

Due to retention of earnings the book value has shown substantial growth. Since 1943 it has grown from $18.50 per share to $28 at Dec. 31, 1952. If the latter figure were adjusted for (1) difference between carrying value of investment in subsidiary and affiliated companies and the company's equity in these companies; (2) the appreciation over cost of marketable securities at Dec. 31, 1952; and (3) the reserves for contingencies, etc., the book value would amount to $33.92 per share.

Conclusion

This company has achieved a splendid record. The substantial growth in sales, earnings and assets, and the ability to pay common dividends without interruption since 1911, attest to the excellent original management which is still active in the affairs of the company. Present position has been attained by diversification of activities, and the excellent research staff should continue its contributions to this end. Expectation of larger earnings for 1953 over 1952, bolstered by the excellent first half reported earnings, accounts for the 25¢ extra dividend which, together with the $2 regular, offers a yield at current prices of about 6½%. The

Continued on page 33

OPERATING FIGURES

	Sales (000)	Net Inc. (000)	*Earned Per Share Common	Dividend	Price Range
1952	$26,260	$1,237	$3.09	$2.00	34¾-30
1951	28,703	1,825	4.62	2.45	35¼-26½
1950	20,286	1,810	4.64	2.40	27 -21¾
1949	16,013	997	2.52	1.65	24¾-19½
1947	14,257	1,026	2.60	1.90	30½-24½
1945	13,264	663	1.65	1.40	32 -24½
1943	13,230	692	1.73	1.40	24 -15

*On shares outstanding at each year-end, excluding undistributed income of subsidiary and affiliated companies, amounting to 29c in 1952.

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A New Look at Foreign Trade

By HON. SINCLAIR WEEKS*
Secretary of Commerce

After extolling the values of foreign trade, and describing activities of the Department of Commerce, Secretary Weeks traces briefly the history of our trade policy and the present status of our international trade. Says, at least temporarily, nations we trade with are in stronger position than in recent years in their trade and financial relations with us, and thus opportunities exist for increase in exports. Says our tariffs are not now as important determinant in volume of trade, as are exchange controls, quota systems, and currency inconvertibility. Stresses "labor factor" in tariff rates, and calls for consideration of wage differentials in fixing tariffs.

At the risk of preaching the gospel to the converted, I should like to begin with a few words on the importance of trade between nations.

Sinclair Weeks

World trade is important not only to our individual businesses as well as to the material welfare of our country and of the free world, but also because it facilitates the international exchange of ideas and cultures. Thus, in a very real sense, "expanding world trade promotes better international relations."

From its beginnings international trade has involved more than the interchange of goods. Knowledge of plants and animals and their uses as well as technical processes have been exchanged by world traders.

Wheat and its baking spread from ancient Egypt throughout the whole Mediterranean world over the ancient trade routes. The Arabs learned coffee culture from Ethiopia and the Dutch in Java and the Portuguese in Brazil, having gained the know - how from the Arab States, made the production of coffee one of the mainstays of the Far East and of Latin America.

The interchanges of know-how between the American continent and Europe are well known. Grasses, grains, fruit, domestic animals, were imported into the new world from Europe, while potatoes, corn and tobacco were spread from the Americas through trade channels to all parts of the world.

One recalls Thomas Jefferson as Ambassador to France carefully collecting seeds and sending them home for use in the improvement of agriculture. Today, the knowledge of electronics and metallurgical processes is exported along with the export of goods.

The great periods of international trade have been the periods in which ideas and cultures were transferred from country to country. The Greek traders of ancient Athens and Thebes were responsible for the wide diffusion of Greek culture around the entire Mediterranean basin. In the 19th Century the principal export of the British may have been British culture and political traditions rather than Manchester textiles.

We Americans sometimes forget the central part international trade played in our early history. The discovery of this continent was the accidental result of a search for new trade routes and not an exercise in the science of geography.

The conflict which attended our birth as a nation was in large part a disagreement about commercial policy with our mother country.

It is worthy of note that in both cases it was imports which were sought. Columbus was looking for an easier way to get the spices of the Orient. The Colonists sought freer trade in the products of the West Indies and an opportunity to import the tea of India without the payment of a tax.

The first modern exponents of a liberal commercial policy were the merchants of New England and the cotton and tobacco growers of the South.

Trade also makes for unity and peace. The trade necessities of the ancient world resulted in Mediterranean unification under Alexander and later under the Roman Empire.

Our own Constitution uniting 13 separate sovereignties came about largely because of a recognition that trade could not be effectively carried on with 13 separate customs systems. Nineteenth Century trade created a world trading community and the longest period of general peace we have yet known.

In our own day, trade and its servant transportation have made all men neighbors. The task of statemanship in the modern world is to make our world neighborhood into a peaceful, prosperous community.

Thus far human statesmanship has not had the capacity to learn the lessons of unity and peace well known to traders. Trade has constantly established the opportunity for better international relations. The vision and capacity of statesmen have not been sufficient to translate this opportunity into reality.

The Commerce Department

At this point may I give a brief account of the activities the Commerce Department has been engaged in so far as the foreign trade of this country is concerned. When I became Secretary of Commerce and started looking into the affairs of the Department, I

Continued on page 36

*A paper by Secretary Weeks delivered at the First General Session of the 40th National Foreign Trade Convention, New York City, Nov. 16, 1953.

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Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, November 26, 1953
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings, state and city news, etc.).
Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

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Two for Teeth

By IRA U. COBLEIGH

Author of "Winning in Wall Street"

Filling an informal appointment with the two leading American makers of dental equipment, of which most of us have been, in varying degrees, and probably unwittingly, customers for many years. The companies — The S. S. White Dental Manufacturing Company and Ritter Company, Inc.

This article all began when, thanks to a particularly adhesive piece of salt water taffy I ran afoul of this September, an oral crater befell me; and the dentist won another yowling patient — me! Despite all my molar misery, however, a sweeping look about the dentist's office was possible; and it revealed a fantastic collection of miniature mechanical gadgets for dental sanitation, shining, salvage and substitution.

Ira U. Cobleigh

First, there's the chair you sit in—a short-haul one-person elevator with more adjustable sitting angles than the poop deck of a sail boat. Fact is they're trying to transplant the thing into our homes nowadays by overstuffing it and calling it a lounge, posture, or heart-ease chair. In any event, this model, designed for molar expetitions, is a multi-phase cockpit, rolling and buffeting you till all your teeth become one target for your dentist's light, drill, and ice pick. These chairs are not cheap. They cost $800 and up.

Beside this toothsome throne is something they call a unit. It's usually at your left as you sit there, throbbing. It has a bubbling basin for you to drool in, a whole lot of squirt guns and a mechanical or motor arm, with a triple jointed belt and pulley gimmick that transmits power from a nasty hornet-sounding little electric motor to a revolving clamp or axis at the end. To this clamp can be attached such pleasant little tortures as revolving drills, abraders, brushes, and rubber buffers. The drills are what really get you. Then you learn how a peaceful hunk of deep porous oil-bearing shale feels when a drilling rig converts it into a gusher! This unit thing you don't buy at Woolworth's either. It may cost upwards of $1,200. Then those little special steel drills may cost a couple of bucks; a diamond one $5.

Further, the well turned out dentist is usually accoutred with cabinets, sterilizers, perhaps an X-ray machine worth a grand or more; and several hundreds of dollars worth of supplies. All told, a dentist about to open shop needs at least $5,000 worth of equipment and supplies, along the lines mentioned. Then what about patients? How many does he have, or can he handle? Well, metropolitan experience suggests about one dentist to each 1,200 to 1,500 people. They won't, of course, all come in every year; children will come more frequently than adults; but even grinder graduates — platers, that is — have to come around every so often as the plates get beat up or mouth structure shifts.

Younger dentists complain a bit about the military ratio. The Army figures it needs one dentist for each 500 men, probably because so many draftees have had little or no dental care before they begin answering bugle calls. Be that as it may, young dentists drawn in, or recalled, to service, think that one dental officer per 1,000 is plenty of coverage; and, of course, if that ratio prevailed, then only half as many molar medics would be required.

Altogether there are reported to be about 91,000 civilian dentists in the United States, and it is mainly to equip and supply these eminent cavity connoisseurs and denture designers that the enterprises cited for review today dedicate their technical, manufacturing, sales and distributive talents. They're most interesting companies and the demand for their products has proved, for decades, to be amazingly consistent and durable.

S. S. WHITE

The largest company in the world manufacturing and merchandizing dental equipment and supplies is S. S. White. Not only is it the leader, but it has demonstrated a remarkably sustained earning power, as evidenced by its unbroken dividend record going all the way back to 1881—72 years in a row.

The S. S. White dental line includes the things we mentioned before—chairs, units, cabinets, etc.—as well as compressors, porcelains, artificial (false, to you) teeth, nitrous oxide and gases to numb your senses when the going gets tough.

Perhaps the major new contribution of S. S. White to dentistry is its Airdent unit, first presented in 1950. This device does to your teeth what sand blasting does to the face of a building. It's an advanced method for tooth excavation, but has not yet been accepted to a point where it will displace the rotary drill.

S. S. White is world wide in scope. There are 23 branches in the U. S. and operating subsidiaries in Canada, Brazil and Australia as well as in France and England. The business has also spread out from exclusive dental supply to some items in medical surgery, and shafts, molded plastics, and even a gas to whip cream.

Although S. S. White did a big business with Uncle Sam during the war, since 1946 net sales figures have gone well beyond the best war years. They should total above $21 million for 1953 (the best year was 1951, $24.4 million).

Capitalization could hardly be simpler, merely 360,659 shares of common listed on N. Y. S. E. under the sybol WDM. Indicated dividend rate is $1.50. In 1952 there was a 3% extra in stock, and in 1950, 5%. 1952 net per share was $2.31 without including overseas profits.

No investor is likely to rush in to buy WDM at 25¾ for spectacular market swings or as a so-called "growth stock." But the impressive persistence of dividends, the solid company cash position, and the market stability of S. S. White shares, suggest their inclusion in any equity list beamed to those defensively minded.

RITTER COMPANY, INC.

The second major company identified for decades with the dental profession, is Ritter Company Inc. of Rochester, which is now in the 66th year of its corporate existence. It appears to be racking up its best peacetime results in 1953, with indicated net sales above the $12 million mark. Ritter is regarded as a specialist in dental equipment (not supplies), and has an extremely modern line of chairs, lathes, X-ray machines. On Dec. 8, 1952 it introduced the last word in dental units, the Ritter Instru-Matic, blueprinted by the distinguished industrial designer, Walter Dorwin Teague, and embodying a number of exclusive features. Among them is a sort of trap door behind which a lot of nozzles and stuff disappear when not in use; leaving in view only a gleaming, streamlined metal panel. This unit has apparently been exceedingly well received by the fang fraternity; and after a restricted first quarter output, is now in full and profitable production.

Finance Subsidiary

The progressive character of Ritter management is further evidenced by the formation, within the past year, of a new and completely owned credit finance subsidiary. It is called Ritter Credit Corporation, and ties into the overall sale program by direct collection of instalments from dentists, low minimum down payments, life insurance to cover the debit, and fire insurance. Since a great deal of selling in this field involves credit, Ritter expects to gain, by providing the equipment and the credit, all in one place.

Another item worth noting in Ritter is its German subsidiary, Ritter A.G. This has been doing business at virtually capacity; so much so that additions to two of its buildings were made in 1952, financed entirely out of funds in Germany. The outlook for Ritter A.G. is especially interesting since that unit can do business in many dollar-short countries. The only drawback is that profits cannot be delivered to the parent company, but are locked up in Germany in Deutchmarks. As a result these profits are not included in Ritter Company Inc. income statements, and the total earning power of this enterprise is, to that extent, not fully revealed.

Net income for 1952 was $570,000, or $3.04 per share on the 154,626 shares of common and the present dividend is at the rate of $2 a year. At current levels of 24½ the shares (listed on N. Y. S. E.) thus yield a tidy 8.10%. Ahead of this common is an issue of 20,000 shares of 5% preferred, convertible in common, four for one. This issue is entirely family-held.

A Continuing Market

These two companies are the authentic leaders in dental equipment. The demand for their products shows not the slightest downtrend — in fact, the number of dental college graduates in 1953 was the largest in history. Further, there are now 40 million young people from age one day, to 17, in our country who will be wending their way towards dental chairs; and such hucksters' gimmicks as chlorophyll and enzymes, laced into toothpaste, seem unlikely to slow down this molar march. The dentist is here to stay, even though some of your teeth are not! And White and Ritter are two that will be selling him.

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The "Tough Going" In the Auto Industry

By JAMES J. NANCE*

President, Packard Motor Car Company

In pointing out "going" in the auto industry is now rougher than anything the industry has experienced since 1940, Mr. Nance, prominent auto producer, holds we have reached a major turning point "that occurs only once or twice in every business generation." Says, because of heavy demand of late years, the auto industry's selling activities "went to pot," and warns more work will now be needed to sell new autos. Predicts five million car production in 1954, compared with six million this year, and concludes, though outlook is not promising, there is nothing in situation that hard work won't cure.

Right now the going is rougher than anything we have experienced since 1940. This is not only true of the automobile business and your (the financing) business. It is true of every business. We have reached one of those major economic turning points that occur only once or twice in every business generation.

James J. Nance

The big question is: Can demand be created for all of the goods America's greatly expanded plant capacity can produce? We have not had to face that question in this country for a dozen years. Since 1941, American business has fed on war and the threat of war. All emphasis has been on production. First, to build up for World War II, and for four or five years after that, to fill the pipelines for the accumulated post-war demand. Then along came Korea, and we had to build a dual economy to support both civilian and military needs. In all that time the emphasis was on production, which became an end in itself. No matter what was produced there was a spontaneous demand for it. As a result, American industry has expanded and expanded until today we have plant capacity in this country capable of producing military goods at the rate of $50 billion a year, and civilian goods and services at a rate of $325 billion a year. At this level of production we employ some 62 million people at record high wages—not only in dollars, but real purchasing power.

That is the measure of American industry's capability. Right now we are in the process of trying to adjust to it. The defense share of demand has levelled off and is being reduced moderately. Accumulated civilian demand has been met and the pipe lines have been filled.

Economy Still on a High Plateau

The economy is still on a high plateau in terms of production, consumption, income, savings, and just about every other yardstick. I believe we can keep it on a high plane. We can only do so, however, by creating demand.

We are in what I call for lack of a better term a selling economy. I use that term to differentiate between two more commonly described markets—a "sellers' market" and a "buyers' market." In a sellers' market, as you know, purchasing power is in excess of production. In a buyers' market the opposite is true—capacity to produce exceeds purchasing power. In a selling or saleman's market we have both production and purchasing power in approximate balance at a high level. That is where we stand now.

*An address by Mr. Nance before the American Finance Conference, Chicago, Ill., Nov. 17, 1953.

There's a lot of talk these days about what's wrong with the automobile business. Nothing. Nothing at all—except that during the past 90 days the pipelines of demand have been filled for the first time since 1940, and the industry's distribution system was not ready. The only thing that makes news about this is that the auto industry was almost the last of the major industries to catch up on accumulated demand. There is, in fact, only one left. That is steel, and steel already is showing signs of following. Recently, believe it or not, we have had salesmen from the steel companies calling on us. The soft goods industries filled the pipelines by 1948. The appliance industry and most other consumer durable lines caught up in the spring of 1949. But the automobile business, because it was the largest single consumer of metals, was kept under government controls longest and is the last of the consumer goods businesses to fill the pipelines.

The Cycle from Scarcity to Abundance Completed

So, with automobiles and steel back to wide open competition, American business has completed a cycle—from scarcity to abundance, from 1941 to 1953. That was the longest sellers' market in the history of America! Now it's ended and the period of adjustment has arrived.

Specifically, what is this adjustment going to mean to each business and each businessman? First I think it calls for a decision as to attitude. Do we want to stay in the game or do we want to take our chips and quit? Do we want merely to go along, not getting out but doing just enough — risking just enough—working just enough—to get by? Or do we want to put everything we've got into the deal and fight and work to grow and prosper and thereby contribute to a growing and prosperous economy.

Consciously or otherwise, every businessman is going to choose one of those three courses. As I see it, 1954 will be the year of decision for each of us as to what we are going to do to adjust to the first big and lasting change in the business climate in 13 years.

Some businessmen may think that there are greener pastures across the fence. This is a perfectly natural illusion as competitive pressures tighten within each individual industry. It is, however, an illusion. The squeeze is on everywhere. There isn't an industry left that can be classed as a soft touch. Competition is universally hot. The situation reminds me of the story of the little girl whose mother was trying to persuade her to eat spinach. She said, "Honey, just think of all the little boys and girls in this country who would be happy to have this lovely spinach." And the little girl said, "Mama, name one."

Well, I can't name one industry where there are going to be any fast bucks flying around in 1954, or where the big problem won't

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be, how to sell all that can be produced and do it at a profit.

The Auto Industry Situation

So much for the general picture. Now what about the automobile industry? I said a few minutes ago —nothing is wrong except that our distribution system wasn't ready when controls were taken off and the industry's tremendously expanded production was turned loose. The result was what appeared to be general disorganization of the automobile market. We've had overloading, overtrading, discounting and just about every other substitute for marketing. All of the old forms of razzle dazzle have been dusted off and brought out of the closet and some new ones have been added. I am sure that you never thought you would live to see the day when there was a Rexall one-cent sale in the automobile business. I know I didn't. But we have.

What has been happening shouldn't have been a great surprise to anyone, however. We know that until 90 days ago, the automobile industry had not had to sell its production for 13 years. In that time its marketing skills went to pot. New salesmen weren't trained to sell against real competition. Old line sales managers passed out of the picture or became soft. Replacements were not developed. They weren't needed. Many of today's dealers have come into the business since World War II. They have the asset of youth but they have not yet had the competitive experience to enable them to move the volume their factories can produce. Many do not have as much capital as they need. High postwar taxes prevented them from accumulating it in the lush years when they normally would have. Many older dealers do not want to pitch as they did before the war. They have the capital but not the will.

Hard Work Will Solve the Problem

This may seem like a pessimistic summary. I see nothing in the situation, however, that a little time and a lot of work won't cure. Remember, when World War II came on production wasn't ready. We went through 18 months of painful adjustment then before war material really began to roll from our factories. But production people, when given the job back in 1941, didn't quit and they didn't cry. Instead, they adopted the attitude that nothing was impossible. Valuable machinery was moved out into the yard to clear factory floors. Men worked around the clock and no problem was too big. New methods and new tools were improvised on previously unheard of schedules.

As you and I know, all factories didn't make production goals—they didn't all fly the Army or Navy "E" for excellence. But the majority came through And many businesses which were then new or small came to greatness as a result of their experience.

We are facing that kind of adjustment in distribution right now. This means much more emphasis on every phase of marketing from research on through to sales training. Many managements which have risen to the top from engineering and production in the last dozen years when marketing skill was unnecesary will have to reorient themselves just as many people with a marketing background had to learn to be effective in production during the period of shortages.

Dealers will have to add to their sales personnel; not cut back. They will have to return to personal selling and doorbell ringing to get prospects.

In a competitive market, auto-

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The State of Trade and Industry

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

A slight contraction was noted in over-all industrial production in the period ended on Wednesday of last week. It continued to be moderately under the near-record level attained in the early months of this year. Total production compared favorably with that of a year earlier.

Claims for unemployment insurance benefits rose about 10% in the most recent week and were up nearly 40% from the level of a year ago.

While some producers of consumer goods continue to curtail their work forces, other lines added to their payrolls.

Business failures climbed 22% in October to 840, the largest toll in any month since May, 1950. One-third again as large as a year ago, casualties were the highest for any October since 1940, when 1,111 occurred.

Concerns failed at the rate of 39 for each 10,000 enterprises listed in the Dun & Bradstreet "Reference Book." The agency's failure index projects monthly mortality to an annual rate and adjusts for seasonal variation. This October rate compares with 36 in the preceding month and 30 in the corresponding month a year ago. While this was the highest failure rate for any month since 1949, it remained below that for October 1940 when 67 out of each 10,000 businesses succumbed.

The liabilities involved in October's failures rose about 10% in the month to $37,076,000 or some 6% higher than the losses a year ago. Losses were larger only twice in the postwar period; in July of this year when liabilities amounted to $39,830,000, and March, 1949 when they totaled $37,188,000.

Among the industry groups, manufacturing, retailing and commercial service accounted entirely for the upturn in failures between September and October. Mortality in retail and service establishments rebounded from the late Summer decline and was about the same as in June, while manufacturing casualties reached the highest level since June, 1950.

Five geographic regions reported increases in failures during the month of October. There were notable upswings in the Pacific States, particularly California, and in the Middle Atlantic States, where failures reached a postwar peak, according to the index.

While steelmaking operations this week were sinking to a new low for the year (88% of capacity), sales prospects were taking a brighter turn, states "The Iron Age," national metalworking weekly. A growing influx of orders from the auto industry indicated that steel's historic No. 1 customer would again set the market pace in first quarter of next year, this trade authority reports.

Though most steel sales people had kept whistling a brave tune, some were frankly puzzled over the long silence of auto industry buyers. Now that the ice has been broken they expect automotive customers to enter the market heavily for first quarter business in the next two or three weeks, it adds.

Continuing, it states, this is vital. If 1954 steel business is to measure up to its press clippings, the industry must get off the mark with a good first quarter. Steelmakers are banking on a higher level of solid orders from the auto industry to furnish the needed market springboard.

Auto industry buyers started moving into the back seat of the steel market about mid-year. It was then they found themselves oppressed by inventory hangovers resulting from generous Controlled Materials Plan allotments and to successful procurement in an easing market. Until this week they had been cutting back steadily since then, notes this trade weekly.

Now they are re-entering the market with some zest, it adds. But buying still reflects unwillingness to place orders far in advance. It's limited largely to January business, with scattered February commitments for less plentiful items.

Automotive parts suppliers, lacking big customer bargaining power, are placing orders farther ahead. Some have ordered steel for the entire first quarter. This indicates they have assurance from their customers of brisk first quarter output, observes "The Iron Age."

In the automotive industry car output the past week totaled 79,979, off 14% from the 93,503 in the previous week and 17% behind the 97,172 in the like 1952 week, according to "Ward's Automotive Reports." This week, it adds, output will be less than last week and well below the 86,403 in the year ago week.

Steel Output Rate Scheduled To Drop 3.1%

More steel producing facilities are idle now for lack of business than in any strike-free or holiday-free week since the summer of 1949, "Steel," the weekly magazine of metalworking, reports.

On the idle list is something more than 10% of the nation's ingot-making capacity, plus related equipment, it states.

The continuing increase in unemployed facilities dropped production of steel for ingots and castings down to 90.5% of capacity in the week ended Nov. 21, fourth consecutive week of decline, this trade magazine observes.

While the latest rate of steel ingot production would lead one to believe only 9.5% of theoretical capacity is idle, the percentage is actually higher, for the production rate is calculated on the Jan. 1, 1953, capacity of 117.5 million net tons. Since then, some additional capacity has come into being, continues this trade weekly.

Even though an increasing amount of capacity is being idled, the substantial expansion in capacity over the last few years leaves enough capacity in use to turn out 2,040,000 net tons of steel for ingots and castings a week at a production rate of 90.5%. In only

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Observations . . .

By A. WILFRED MAY

Mild and Tough Gilberts

Frankly, this column was intending to desist from adding anything to the copious comment on proxy rules and corporate democracy which has appeared here in recent weeks. But last night we attended the smash-hit stage success "The Solid Gold Cadillac," which is concerned with the adventures of a 10-share lady stockholder in General Products Company, whose naively put inquiries at the annual meeting land her a job in the company with the final curtain showing her the proud possessor of

"Miss Hull Talking Back to Management"

a basketful of proxies and control of the enterprise. Since we were struck with the lay public's great interest in the subject, stockholder-management relations, as well as in the star, Josephine Hull, whom one of our contemporary weeklies describes as "a mild-mannered Lewis Gilbert," and since this morning we happened to receive a communication from *America's Stockholder Number One*, setting forth his views on the SEC proxy position, we are pleased to publish them.

Mr. Gilbert's Communique

DEAR MR. MAY:

I have read with interest Commissioner Demmler's comments in the current issue of "Observations." On behalf of the many shareholders who annually ask me to be their spokesman at so many annual meetings, I should like to make the following comments:

Contrary to the earlier amendments to which he refers and which had the united support of all thoughtful owners in all camps, the new proposed changes are controversial. Therefore it is quite obvious they should be modified before being adopted. Failure to do so can only result in a running battle over the next few years, the repercussions of which will be felt not only at annual meetings but elsewhere as stockholders clamor for restoration and extension of their basic rights. For the issue then becomes a very simple one—"Corporate Democracy versus Corporate Oligarchy."

Now what has to be done to make the new rules as suggested fair to management and shareholders alike? Fortunately, from reading Chairman Demmler's letter to you, it would appear that he still has an open mind on some of the great basic questions involved.

The Minority of Votes

When the Chairman writes of "a small minority of votes" being for a proposal as a reason for omission, the truth is that such "a small minority of votes" may run into millions of shares and represent the thinking of thousands of owners. This may be just over 3% in percentage only because it so happens that a substantial block of stock may be in the hands of another corporation or a few individuals and that is naturally automatically voted against a proposal.

It also fails to take into account the automatic voting of investment trusts, fiduciaries and similar categories. We maintain therefore that it is misleading to talk of a "small minority of votes."

It is therefore obvious that the percentages suggested as the new criterion for reintroduction of a proposal are too high and should be lowered if the cry of protecting oligarchy is not to be raised by rightly indignant owners.

Next there is simply no good or valid reason why a proposal should have to wait three years before it is again allowed to see the light of day. Management views change, experience has shown, and the roster of owners varies considerably in such a period of time.

A maximum waiting period of two years is therefore the minimum safety requirement for shareholder rights.

The Identity Question

In regard to the question of printing the name and address of the sponsor, it was never inserted for reasons of giving anyone

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A Period of Consolidation Ahead For New Peacetime Expansion

By HERBERT R. SILVERMAN*
Chairman of the Board, National Commercial Finance Conference, Inc.
Vice-President, James Talcott, Inc.

Executive of prominent financing concern predicts, barring inflationary moves by government, a business contraction of not much more than 5% to 10%. Says contraction will be due largely to efforts of some producers to bring costs in line with prices, and thus a new expansion period may be expected to follow. Lists as tasks facing management: (1) rooting out of wasteful production practices; (2) leveling out of production schedules; (3) improvement in quality of products; and (4) intensification of sales promotion programs. Urges commercial finance companies take part in accomplishing readjustments.

We meet at a stirring time in our nation's history.

A stirring time need not be a baffling time. The business situation today is not the enigma it is being painted. The business outlook has its uncertainties—it always has. But the course management should follow to deal with current conditions is unmistakably clear. Let us think this through together to logical, compelling conclusions.

Herbert R. Silverman

For more than two decades, American business management looked forward to the day when, to some substantial degree at least, it might command its own destinies. None were more eager than the institutions that provide the nation's financial services, among them those of our industry, the commercial finance industry.

That time is now.

We awaited the day when our views on the business and financial policies that assure sound economic progress might have measurable influence in the democratic process by which we Americans achieve public policy. We hoped for the time when we could more freely play the role in that progress which our industry's services are peculiarly fitted to assume.

That day is at hand.

This is not recognized by some. But it is seen for what it is by those who appreciate how our economy has grown and our living conditions have improved in spite of catastrophic depression, conflicting economic policy, a multi-billion dollar war, excessive expenditure and taxation; and all the other evils of recent times.

At the same time we are in a new tightly competitive era.

Back in the days when half of our production was earmarked for war orders, or later when most of our companies were working away at the postwar backlog of pent-up demand, or more recently when constantly rising prices assured even high-cost producers a profit, the competitive spirit that made American enterprise great was not so much in evidence.

Business Management Now On Its Own

Now business management is more or less on its own. The orders go to the company that can best manufacture and distribute the better product. There is more uncertainty in business today. But the more successful business managers will agree, I am sure, that there is considerably more satisfaction in it. The rewards are going to those who earn them.

Competition has never taken a holiday for the commercial finance industry. It has kept us on our toes, kept our institutions in a constant state of readiness to meet the needs of our customers. It will provide business generally with the same benefits.

The shift to competition was brought about by several factors. Defense orders by civilian producers were substantially completed. Government demand, an important factor in industrial expansion, declined. Government expenditures on non-essentials were cut somewhat. Some companies found even large consumer backlogs had evaporated.

In the midst of this shift to more competitive conditions, management had to adjust to an economy dominated by the needs and forces of the private marketplace. For year after year the major stimulus to economic expansion had come from government action. Now the major stimulus had to come from business investment aimed at serving future consumer markets.

Sales have been maintained at an extraordinarily high level this year Why? Because resourceful managements have had the initiative to expand and develop markets for their goods. But consumer spending increased somewhat less rapidly than consumer income. This I take to be an indication that not all managements have yet recovered resourcefulness. Before we celebrate our sales records, we should remember that personal incomes may score a new record this year above the $280 billion mark.

With economic activity generally stable at the high level of $365 billion, it was inevitable that private domestic investment outlays should move higher and in several sectors set new all-time marks. Even after adjustment for price changes, new construction activity set a record. Business expenditures for plant and equipment rose to a new high rate of $28.4 billion in the second quarter. Increases have been shown for each major industry group except railroads.

Sometimes we are tempted to exaggerate the significance of these indicators, overlooking the many weak spots in our economy. Sometimes we are tempted to overlook these elements of strength, and exaggerate the significance of the weakening factors. We must cling to the balanced view. We must hold to stability of judgment, lest we succumb to the vain enthusiasms or the unfounded hysterias of these uncertain times.

But, as an industry that finances growing companies, we can take some satisfaction in that investment record. For it was achieved by American business in a period when our relative stability at home was matched by the greatest turmoil abroad.

Since our last meeting, the world was shaken by momentous events. These events were not unforeseen. In fact, they were so fully expected that I am inclined to think we may underestimate their continuing effects.

An uneasy armed truce was achieved in Korea as the United States moved from strength in international politics. The desire for a permanent peace still dominates our hopes as it does those of our leaders. But we must remember that the free world alone cannot keep the peace.

We see many signs of economic as well as political crisis in the Soviet sphere. But we cannot count on economic pressures to keep Soviet warplanes at home. They were not enough to keep the Nazi hordes in check.

The myth of Soviet invincibility was shattered by the explosion of revolt in the Soviet sphere and by the naked struggle for power in Russia, the core of the Soviet empire. Through the cracks in the Kremlin wall the world, and particularly the masses enslaved by Soviet guile, are seeing that the idols of Soviet power have feet of clay.

At any time revolt may break out again in the Soviet satellite States. Open revolt may yet break out even in Russia herself, for it is evident that her peasants have been in passive revolt for some time. We must not, therefore, be unprepared for new shocks from the international political scene.

Moreover, the political shock waves from abroad do not originate only where the hammer pounds men down to the cutting level of the sickle. The Middle East, its economic problems still unsolved, seethes. The Far East, its foreign trade disrupted by Soviet Communism, hungers. And France and Italy are no nearer political stability.

Ours is almost entirely a domestic industry. But our business is finance, a reed that bends with every ill wind from abroad. And even the domestic companies to which we provide our services are enmeshed in world markets. Let me illustrate, for it is important at this time that we recognize the extent to which foreign influences may color our outlook.

United States exports of merchandise in 1952 totaled some $15 billion. They accounted for about 4½% of the gross national product. This ratio has been about the same since 1949, although the value of the nation's output expanded by about a third from 1949 to 1952.

In other words, 95% of our business is with ourselves. But the 5% of business we do abroad is critical for our economy.

Some aspects of our foreign trade are deceiving. Only 4% of the goods moving in wholesale trade was sold abroad. The same percentage of telephone and telegraph messages dealt with export trade.

But 10% of the coal, gas and electric power produced in this country is used in making goods for export. Before the outbreak of war in Korea and our efforts to arm our allies, 11% of the traffic on railroads consisted of goods moving to foreign customers.

Twelve per cent of the cash income of our farmers is realized from sales abroad. In such lines as light and heavy machinery, chemicals and pharmaceuticals, to name only a few, 10% or more of production is sold abroad. Is this a trivial share of an industry's output?

Too often we overlook the fact that more than half of the $11 or $12 billion of goods we import annually consists of minerals and materials needed by American industry to maintain our level of living and high levels of employment and output.

We thrill when a jet-engined airplane roars by. Even when an ear-shattering explosion reveals that the pilot has decided to fly faster than the speed of sound. But there is an economic lesson in this awesome demonstration.

Without castor oil—the bane of our childhood's springtime—the moving parts of the jet engine assembly would freeze up from the extreme heat that breaks down other lubricants. Without that oil the machine that so defies the laws of gravity would plummet to earth. And almost all our castor oil comes from beans grown in Brazil.

Jet engines may continue to account for a minor part of our business or none at all. But the commercial finance industry does serve businesses that make stainless steel kitchen equipment out of iron ores from Minnesota, Venezuela or Canada, nickel from Canada and chrome from Turkey. Some of the Venezuelan iron and Canadian nickel, indeed, will be found in the plumbing fixtures made and distributed by enterprises we serve, as well as Turkish chrome on the products of the automobile accessory companies that use our services.

Unsettled International Situation

We must face these facts, even though the prospects be that the winds from abroad will continue to be angry ones that ruffle the pages of our ledgers. We must anticipate that for several years to come the business influences from abroad will continue frequently to be unsettling ones impeding our economic progress. We must be wary of excessive enthusiasm. We must gauge our business planning to make our situation invulnerable to unfavorable developments abroad.

The first signs are being seen that our country and its allies are recovering the initiative in world diplomacy. But the progress toward a general peace is slight and it will not warrant optimism until there is concrete evidence of a genuine and complete reversal of policy from the side of the Soviet imperialists.

In the face of the continuing unsettlement abroad, our progress, our high investment, our plans for a peaceful future are all the more remarkable. This warrants a measure of satisfaction, but hardly a feeling of complacency. Let us never forget that the ill wind that blows from abroad may rise in strength to hurricane force. The 1929 depression was not the only one that had its immediate origins abroad. A notable parallel to it was that of 1873.

The developments abroad have had their impacts on American business and, particularly, on our industry. While having to help in financing civilian production on a scale never before anticipated, we have had another task. We have had to aid in the financing of the defense production that, thus far, has limited world hostilities to local wars.

Some day, we hope, defense production will taper off to a level that permits maintenance of adequate security forces and development of new weapons but that spares us the current heavy drain upon our resources. It has begun to taper off a little but we cannot hope for much in 1954. Whether it will approach less burdensome levels in 1955 or 1956 must depend on the actions of those whom the diplomats politely call "the other side," and the state of their preparedness for aggression and total war.

It may be that our usual defense production financing will taper off somewhat more rapidly than defense production does. But even when the tapering off becomes substantial, we of the commercial finance industry must expect our usual activity in the financing of defense production to be required. Indeed, the prospect is that it will be required for some time to come.[1] I am not sure that we or our customers will ever be able to concentrate entirely on the civilian market, but it is a pleasant prospect to think about.

But the world is too much with us. I doubt that we can do very much more about its problems than we are doing. Our domestic problems are quite another matter.

At home, as one might expect in a period of this kind, we continue to teeter between inflation and deflation. If anyone finds this exercise dizzying, he might reflect that it is better to sit between these stools than to trust his weight to either of them.

Stability is still our goal. It means a leveling off, not a downtrend or an uptrend. That leveling off is what we seek to achieve, unfortunately, not yet with success.

In the face of declines in world raw materials prices and, later, in agricultural products and wholesale commodities, consumer prices inched higher for successive months. By a combination of events and policies, strong deflationary forces have been unloosed to outweigh the inflationary forces that have been rampant in our economy.

The volume of production remains comparatively high in most lines, but business profits are diminishing. One measure of business profits shows that corporations that had profits after taxes of $24 billion last year will have profits this year of $22 billion, a drop of $2 billion. Together with the movement of other business indicators, this change is substantial enough to tell us something about the present period.

We are shifting from a situation of over-full employment to one of nearly full employment. As far as the economy as a whole is concerned—there will, of course, be exceptions—we are moving from over-capacity output to near capacity output. In a sector of the economy that accounts for 10% of its activity, steel, automobile and rubber, we may be in a persistent situation of less-than-capacity output.

We Will See Contraction in Some Lines

In other words, we are seeing—or will shortly see—contraction in some lines, offset, in part at least, by expansion in others. Some companies with relatively high cost structures have been feeling the pinch.

There has been a demand, on that account, for corrective action by the Federal government. The remedies demanded have been the familiar ones: easy money, lower reserve ratios, lower interest rates and so on. I would not wish to give the impression that I believe that the government's money and credit policies have been wise in every respect and that no changes are within the realm of debate. Far from it; I believe, as you know, that government policy must be flexible, ready at all times to take account of changing situations.

But it seems to me that the goal of stability is being lost sight of as we are asked to check a moderate deflation by resorting once again to the panacea of inflation. In that approach, the goal that would benefit all our people, stability, would be dropped. If we yield to these demands, we shall be merely postponing the day of reckoning.

However, barring inflationary moves by the government, our

Continued on page 44

*An address by Mr. Silverman at the [illegible]th Annual Convention of the Commercial Finance Industry, New York City,

[1] In view of the new regulation by the Department of Defense, eliminating progress payments on government contracts additional financing will necessarily be required by defense contractors. I am sure that our industry will fulfill their requirements when called upon.

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The Institutional Investment Market

By JULES I. BOGEN*
Professor of Finance, New York University
Graduate School of Business Administration

Dr. Bogen describes the institutional market for investment securities, and discusses outlook for investment in equity securities by such institutions as insurance companies and savings banks. Points to higher yield of equities as compared with bonds, and contends institutions will have to become more yield-conscious to hold their own in competition to attract public savings. Sees also a shortage of bonds and mortgages as factor leading to greater institutional investment in equities. Discusses investment qualities of various types of securities.

The institutional market for equities is a great big market. Just how big it is we can see by looking at a few figures.

Dr. Jules I. Bogen

At the end of this year the life insurance companies of the United States will have $78 billion of assets and the mutual savings banks will have $26 billion of investments. The fire and casualty companies (the stock companies have $13 billion of investments and the mutuals something over $3 billion) have a total of over $16 billion of assets. Independent pension funds, which exclude plans underwritten by life insurance companies, have, according to the Bankers Trust Company, some $12 billion of investments. Eleemosynary institutions, churches, hospitals, universities, etc., it has been estimated, have about $10 billion of investments. Investment companies, mutual and closed-end, have close to $5 billion of investments.

Adding these figures up, we have $147 billion of assets. These institutions constitute the chief market for investments in the American economy.

Not only are these institutions huge in size, but they are growing rapidly. They collect today the bulk of the liquid savings of the American people. The life insurance companies collect some $5 billion per annum; the mutual savings banks are gaining about $2 billion; the fire and casualty companies $1.3 billion, including the mutual companies. The independent pension funds are gaining about $1.2 billion, including the added funds they receive for past service credits that many companies contribute because they can deduct the contributions from excess profits. We do not have figures on what eleemosynary institutions are gaining in the way of free investments. The open end investment trusts had been gaining at a rate of close to a half billion dollars until this year's market decline checked their growth.

These institutions will thus have close to $9½ billion of net additions to their resources in 1953 for new investments.

How much of this money is going into equities? The largest holders of equities among these institutions are the fire and casualty companies, which hold $4½ billion of equities. The open-end and closed-end investment trusts, the smallest of these investing institutions, have invested the bulk of their funds in equities, probably $4 billion. They are second in importance.

Third, the life insurance companies hold $2.3 billion of equities at the present time, of which the larger part is preferred stocks. Pension funds are believed to hold in all about $1.5 billion of equities, although some of the largest do not invest in equities. Finally the nation's mutual savings banks, which are relatively new to the field, hold perhaps $300 million of equities. In New York they have only quite recently received the power to buy equities. In Massachusetts and Connecticut they have long invested in bank stocks.

Adding up these figures, we find that financial institutions which are allowed to buy equities — which leaves out commercial banks and savings and loan associations—holding in all $147 billion of resources, have invested only about 8% in equities. Among these institutions, the really large holders of equities are only the open-end funds and the fire and casualty companies. Equities thus constitute a relatively small investment outlet for the financial institutions that hold the bulk of the liquid savings of the American people.

Conditions are more favorable for a substantial future increase in equity investments by these institutions than ever before.

First, legal obstacles that have stood in the way of equity investment by these institutions are gradually being lowered. It was only within the last three years that life insurance companies in New York State received the authority to buy common equities to a limited extent. Life insurance companies in most other states had that power before, but since larger companies have wanted to do business in New York they have had to conform substantially with the New York law. It was very important that the New York law be amended, therefore, to allow life insurance companies to buy common equities. That has been done.

Similarly, mutual savings banks in New York State last year received the authority to invest up to 5% of their resources in equities.

Next, the yield on equities is more attractive than that offered by any other type of investment these institutions can buy. And these institutions perforce are becoming more and more yield-conscious. Partly that is because of rising expenses; but, more important, it is due to increasing competition among themselves.

Mutual savings bank in New York recently were allowed to raise their dividend rate to any figure that the Superintendent of Banks would approve. Previously they were limited to 2½%. Only some of them are going to pay above 2½%, but the move is indicative of the pressure of competition.

Many a commercial bank has raised its rate paid on time deposits. Savings and loan associations, because they generally pay more than competing institutions, are enjoying the fastest rate of growth. They are gaining some $3 billion this year, whereas the mutual savings banks are gaining $2 billion.

Ten years ago, resources of the mutual savings banks were more than twice as large as those of savings and loan associations; now they are about equal.

The public is thus becoming more and more yield-conscious in placing its savings with financial institutions. The institutions, in turn, have to become more yield-conscious to hold their own in the competition to attract the public savings.

Another factor that could do more to foster institutional purchases of equities than anything else would be a future shortage of bonds and mortgages. Perhaps the major reason why life insurance companies and mutual savings banks have sought the authority to buy equities, which was counter to their past tradition, is that they visualized a possible shortage of bonds and mortgages in the not distant future. Business recessions will cause a decline in corporate bond financing and mortgage borrowing, now the two chief investment outlets for these institutions. Apart from government obligations, which would give relatively unattractive yields, the only large-scale alternative investment outlet is equities.

By and large, these conservative financial institutions will go into equities on a really large scale not because they will want to, but rather because they will have to, due to an inadequate supply of bonds and mortgages. Meanwhile, they are gaining invaluable experience by making limited investments of this kind now. They are "getting their feet wet," becoming familiar with the techniques of equity investing, which are basically different from the techniques of investing in real estate mortgages and gilt-edged bonds.

By the same token, investment houses serving institutional buyers of equities must adjust their own techniques to fit the special requirements of such clients. Selling equities to large financial institutions is a different business from selling to individual investors, large or small.

In the first place, these institutions constitute a highly sophisticated and professional group of buyers, who must be served on a professional basis.

Secondly, institutions are primarily interested in yield, not capital gains. That does not preclude an interest in future yield being higher than current yield. The growth factor is important to an institutional investor in equities. But we must not forget that the ultimate reason why a life insurance company, a savings bank, or a pension fund buys stocks is to secure an attractive dividend return.

In the third place, tax considerations are very different for institutional and individual investors. Some of these institutions are subject to the corporate income tax, and others are not. Stock fire and casualty companies are taxed like other corporations. Mutual savings banks since 1952 have been subject to the 52% tax on retained earnings, but only where surplus and reserves exceed 12% of deposits.

To a taxed institutional investor, dividend income is much more attractive than capital gains. Intercorporate dividends are entitled to an 85% credit. Hence, with a corporate tax of 52%, a fire insurance company, a casualty insurance company or a mutual

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*A lecture by Dr. Bogen in the series entitled "The Economics of the Securities Industry," sponsored by the Investment Association of New York in cooperation with the Graduate School of Business Administration of New York University, New York City, Nov. 10, 1953.

This is not an offer to sell these securities. They are subject to the registration and prospectus requirements of the Federal Securities Act. Information about the issuer, the securities, and the circumstances of the offering is contained in the prospectus which must be given to the buyer and which may be obtained in any State from such of the several underwriters as are registered dealers in securities in such State.

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Dealer-Broker Investment Recommendations & Literature

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

Aircraft Issues — Analysis — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y., with particular reference to **Boeing Airplane, Douglas Aircraft, Fairchild Engine & Airplane, National Aviation Corporation, North American Aviation,** and **United Aircraft.**

California City and District Bonds—Brochure—Heller, Bruce & Co., Mills Tower, San Francisco 4, Calif.

Canadian Metals Survey—Study—John M. Easson & Co., 217 Bay Street, Toronto, Ont., Canada.

Chicago's Parking Meter Program — Analysis—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Dollar Averaging—Discussion—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Federal Income Tax—Special report for investors—J. A. Hogle & Co., 132 South Main Street, Salt Lake City, Utah. Also in the same report is a brief analysis of **Columbian Carbon Company.**

Fire Insurance Underwriting Profits—Circular—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co. Ltd., 111 Broadway, New York 7, N. Y.

Japanese Aircraft Manufacturers — Data in current issue of "Weekly Stock Bulletin"—Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Life Insurance Stocks — Memorandum—R. S. Dickson & Co., Inc., Wilder Building, Charlotte 1, N. C.

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.

Personal Property Tax Free Long Dividend Paying Stocks—Tabulation—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Steel—Analysis of the Outlook—Ross, Knowles & Co., 330 Bay Street, Toronto, Ont., Canada.

Synthetic Plastics—Review—Stern, Frank, Meyer & Fox, Union Bank Building, Los Angeles 14, Calif. Also in the same review are discussions of the **Oil Industry** and the **Business Forecast.**

Tax Pointers—With Suggestions for Tax Switches—In the current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is an analysis of **Natural Gas,** and the **Supermarkets.**

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American Airlines, Inc. — Review — $2.00 per copy—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

American Marietta—Analysis—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif. Also available is an analysis of **Bank Stocks.**

Aro Equipment Corporation — Analysis—Standard Securities Limited, 67 Yonge Street, Toronto 1, Ont., Canada.

Carpenter Paper Co. — Memorandum — Dewar, Robertson & Pancoast, National Bank of Commerce Building, San Antonia 5, Tex.

Central Vermont Public Service Co.—Booklet—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Hanover Bank of New York — Bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Investors Diversified Services, Inc. — Study — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Metal & Thermit Corp.**

MacMillan & Bloedel Limited—Analysis—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Canada, and Royal Bank Building, Toronto, Canada.

Marine National Exchange Bank—Analysis in current issue of "Business and Financial Digest" — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of the **Torrington Company.**

Mathieson Chemical—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pfeiffer Brewing Co.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on **Affiliated Gas Equipment, Inc.**

Polaroid Corporation — Analysis — Burnham & Company, 15 Broad Street, New York 5, N. Y.

Polaroid Corporation—Analysis—C. E. Unterberg, Towbin Co., 61 Broadway, New York 6, N. Y. Also available is a discussion of investment characteristics of **Special Situations** by Belmont Towbin, reprinted from the Analysts Journal.

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

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Seneca Oil — Circular—De Pasquale Co., 55 William Street, New York 5, N. Y.

Servomechanisms, Inc.—Bulletin—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Snyder Tool & Engineering Company—Card memorandum—Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

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Warns Administration on Budget Deficit

Senator Prescott Bush of Connecticut says another large deficit would create new inflationary pressures and constitute a setback to the United States in the "cold war" which has turned in our favor in 1953. States Administration must have courage to reduce spending programs, including the military establishments, and avers Eisenhower Administration must honor pledge to establish "a sound and honest dollar."

U. S. Senator Prescott Bush, of Connecticut, stated on Nov. 21 that another large Federal deficit would be "a setback in the cold war," and the Eisenhower Administration, in preparing the budget for the next fiscal year, "must have the courage to cut deeply into spending programs, including the military."

Sen. Prescott Bush

"It would create a dangerous situation," said Senator Bush, in remarks prepared for the annual dinner of the National Paint Salesmen's Association at the Hotel New Yorker, "if the Administration presents a budget which is greatly out of balance to the Congress after it reconvenes."

Excerpts from his remarks:

"Another large Federal deficit would create new inflationary pressures in an economy already under strain. It would definitely weaken the American economy, upon which the strength of the entire free world rests, and which is a major target of attack by the Communist enemy. If we tolerate another major deficit next year, we will have suffered a setback in the cold war, in which the tide has turned in our favor in 1953. We cannot afford such a setback; we must hold our gains.

"A continuation of spending at present levels, coupled with scheduled losses in revenue, would mean a deficit of about $12 billion in the next fiscal year. A deficit of that magnitude would be intolerable, and the Administration must take whatever steps are necessary to prevent it.

"On Dec. 31, we are committed to give individual taxpayers much-needed relief in the form of an 11% reduction in individual income tax rates, and to abolish the inequitable excess profits tax. Together, these actions will reduce revenues by about $5 billion. Another $3 billion in revenue would be lost if excise taxes are eliminated and corporate income taxes are reduced, as now scheduled for April 1.

"This is a dangerous situation, which demands courageous, positive action.

"We are honor-bound to give relief to individual income taxpayers and to abolish the excess profits tax, but I do not believe any further tax reductions can be made safely in 1954-55. The Administration should recommend, at a minimum, that we keep regular corporate income taxes at their present levels (52% maximum), and keep the present excise taxes in effect, or provide their equivalent in revenue.

"This would reduce the prospective deficit to $9 billion. What can be done to cut this down to manageable proportions, or, preferably, eliminate it entirely?

"As a first step, the Administration must have the courage to cut deeply into spending programs, including the military. It must trim the entire budget to make certain that not one unnecessary nickel will be spent. In cutting military expenditures, the Administration should, of course, make sure that the national security is not impaired. But, in my opinion, there still remains a lot of fat in the military establishments which can be sliced off without cutting into the muscle.

"These are hard decisions to make, but failure to face them would be a repudiation of the Republican pledge to stop inflation. The former Administrations deliberately resorted to large-scale deficit financing to spend way beyond income. This inevitably resulted in inflation, and insidious, hidden tax which bears most heavily on those least able to afford it. Pledged as we are to establish a sound, honest dollar, we cannot follow their discredited example."

Our Reporter's Report

The underwriting fraternity, by and large, appears to be directing the bulk of its efforts currently at marshalling capital resources for the impending task of handling General Motors Corp.'s record-breaking new money offering.

From discussion around the marketplace most other matters appear to be secondary. And this feeling apparently has swelled over into the ranks of potential investors as well, judging by the dearth of interest in new offerings that have come on the market in the last 10 days or so.

With some 274 firms slated to participate in the underwriting group, and many more in the selling contingent, it can be visualized that these forces are concerned primarily with keeping themselves in position to put out the $300 millions which must be "laid on the line" for the GM issue of 25-year debentures.

Institutions and people with mnoey appear to be waiting to see just what the terms will be on this huge undertaking. They are playing the field, seeking offers from everybody they can buttonhole.

Meanwhile, investment bankers point out that next week, just prior to the General Motors scheduled date, is destined to be an extremely busy period unless some of the other business now on tap can be set back a bit.

GM Issue in Demand

Under the law, of course, brokers and dealers must refrain from accepting orders for a given issue until it is cleared for public offering by the Securities and Exchange Commission.

However, there are indications of broad demand for General Motors' big offering, sufficient to give an air of optimism to any discussion of its prospects.

While there has not been even a hint of the probable offering basis, people who are adept at figuring such matters incline to the belief that it will be brought out somewhere around a 3.25% yield basis.

Moreover, a lot of accounts which ordinarily would not be interested in such a yield on other paper are disposed to seek this one for its name. And, of course, there is the element of a substantial sinking fund.

Railroad Shops Around

There are indications that at least one railroad may come into the money market before the year closes. Louisville & Nashville as a prospect has apparently aroused sufficient interest to lead to the formation of at least two banking syndicates.

The road is expected to seek to anticipate a May 1, 1955, maturity which involves $24,610,000 of 4% bonds of its Atlanta, Knoxville & Cincinnati division.

Should the L & N decide that the time is right to come into the market, it might be reasonable to expect a somewhat larger total offering, to put the company in funds for other purposes as well.

COMING EVENTS

In Investment Field

Nov. 29-Dec. 4, 1953 (Hollywood, Fla.)

Investment Bankers Association of America Annual Convention at the Hollywood Beach Hotel.

May 7, 1954 (New York City)

Security Traders Association of New York annual dinner at the Waldorf-Astoria.

June 9-12, 1954 (Canada)

Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

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Objectives in Fiscal and Economic Policy Being Achieved

By MARION B. FOLSOM*
Under Secretary of the Treasury

Under Secretary Folsom recites new Administration's objectives in five areas of fiscal and economic policy, and holds headway is being made in meeting and solving the difficult problems in arriving at these objectives. Says, however, the process of accomplishment will be "long and continuing," but developments thus far encourage belief "goals will be reached."

In his State of the Union Message two weeks after assuming office, President Eisenhower described five areas in which this Administration would strive to develop a fiscal and economic policy to reinforce military strength and at the same time make more secure the nation's economic health and resources.

M. B. Folsom

These objectives were:

First, to reduce the deficits as planned by the previous Administration and then at the earliest possible time balance the budget by reducing Federal expenditures to the very minimum within the limits of safety;

Second, to manage properly the burden of our inheritance of debt and obligations;

Third, to check the menace of inflation;

Fourth, to remove the strait-jacket of wage, price and other controls and directives and make constructive plans to encourage initiative;

Fifth, to work toward the earliest possible reduction of the tax burden, remove inequalities, simplify the tax system and revise the tax laws to reduce the obstacles to the vigorous growth of our economy.

What progress has been made toward meeting these objectives?

(1) Deficits and the balanced budget. The first step toward balancing the budget was a tremendous effort to get previously planned spending under control.

Little could be done about expenditures during fiscal 1953, which was all programmed and more than half gone.

But a thorough review of all future military and civilian programs was immediately undertaken.

These reviews have not yet been finished. But progress has been made.

By August of this year this Administration had cut planned expenditures for the fiscal year 1954 by more than $6 billion under the January estimate of the previous Administration. This plus $800 million of income gained from the six-months extension of the excess profits tax has resulted in cutting a prospective deficit from more than $11 billion to less than $4 billion, according to present estimates.

It is true that this does not provide an administrative budget in balance for 1954—but it is still a real saving of billions of dollars and not far from a cash budget balance. And more important, the taxpayers of America will have these billions of dollars in their own pockets to spend for themselves instead of having the government spending it for them.

Significant, too, is the reduction by $10 billion of new authorizations for spending in this fiscal year—that is a reduction in authority to place orders, which will result in reduced spending by that amount in future years.

This is an important turning point in government finance. For the first time in recent years estimates now provide for less spending in the current year than in the year just passed.

Much remains to be done but progress has been made and more will be made as each day and each week goes by.

More than 70% of Federal spending is for military defense or in foreign or atomic programs. Under such circumstances the reason for not moving faster is obvious. We are eager to make sure that savings are only made with extreme care, knowing fully the great peril in which we live in this atomic age.

(2) Management of the Debt. The public debt is now practically at the limit of $275 billion. In addition to inheriting a debt of enormous size, we also inherited a debt that was in bad shape.

Nearly three-quarters of the debt we inherited in January matures within less than five years or is redeemable at the holder's option.

Too large a proportion of this debt is in the hands of banks rather than distributed to long-term investors.

Both of these conditions affect the supply of credit. They are inflationary. They have contributed to cheapening the value of the dollar.

This Administration plans to take steps to make this huge debt less inflationary and less dangerous to the value of money and to the nation's economy. At every appropriate time we will extend the maturity of the debt by placing longer-term issues. We will move more of the debt away from the banks and into the hands of long-term investors, the real savers of this Nation.

We cannot always move on both fronts at the same time. We must be careful not to dislocate the sensitive balance of our economy and we must always be guided by current market conditions. But our goal is clear and we are working toward it.

In February, owners of $9 billion maturing certificates were given the chance to exchange their holdings for a bond of six-years maturity instead of the usual one-year certificate. In April, the Treasury offered a 30-year bond—the first marketable long-term bond since 1945. In September, a three and one-half-year note was offered, and in October a new cash offering of eight-year bonds was made. This month investors were offered a five-year bond on a refunding operation.

In helping to spread the debt, we are also encouraging the widest possible ownership of savings bonds. We note with pride that the sales of Series E and H savings bonds so far this year are higher than in any year since 1946.

Our policy is fixed and determined. It is flexible only in its execution. While our objective is definite, our progress toward it realistically recognizes and adjusts to the changing conditions in which we operate.

We have made no change in either policy or objective. Our goal has been and will continue to be a stable economy for a healthy economy — for the military and economic security of all.

(3) The Menace of Inflation. The purchasing power of the dollar declined from 100 cents in 1939 to 58 cents in 1950 and to 52 cents in January, 1953.

This has been a serious hardship upon the millions of Americans who have saved money either in savings deposits, in insurance, or in retirement fraternal and pension plans.

This Administration is committed to do all it can to halt further inflation, which is only another word for this decline in the purchasing power of a dollar.

There has been a change of only one-half of one cent in 1939 dollars in the purchasing power of the dollar in the past year. This is real proof of stability.

(4) Encouraging Initiative. Needless and stifling controls were lifted almost as soon as the Administration assumed office. They had not kept down the cost of living. They were curbing vital American initiative and enterprise.

Lifting of controls was a calculated risk. The statement that the end of controls would mean runaway inflation died out almost as quickly as the controls themselves were ended.

This Administration believes that the average American can do more for himself—if he is allowed to do so—than the government can do for him. Competitive enterprise, free initiative—the courage to take a chance—the opportunity to better oneself by effort —constructive work and invention —these have made America great.

(5) Tax Reduction. This Administration is reducing taxes. Because we have reduced expenses and only because we have made these reductions in spending, the excess profits tax will expire on Dec. 31 and individual income taxes will go down an average of 10% at the same time. No tax reduction whenever planned could be justified otherwise.

Additional tax reduction is desired by all and is essential to the continued growth of our economy.

But taxes can be further reduced only as expenditures are further reduced. And expenditures can be reduced only as consistent with maintaining a defense adequate to meet the dangers which confront us.

Our entire tax system is being thoroughly studied with a view to removing wherever practical obstacles to growth and incentive. This is a joint undertaking of the Treasury and the Ways and Means and other committees of the Congress, and good progress is being made. There are many changes which could well be made to remove inequities and to simplify the tax system. But loss of revenue must be carefully evaluated.

We cannot afford as much reduction as we would all like immediately. But we will set a pattern of reduction on which a modest start will promptly be made, with provision for additional future reductions in taxes as rapidly as reductions in expenditures—consistent with security—indicate that they are justified.

We have made real progress in the field of tax administration. In January morale in the Internal Revenue Service was very low—shocking scandals had occurred in recent years.

Our objectives have been to restore public confidence in Federal tax administration by administering the law as it is written, speeding-up auditing of tax returns, tightening-up on enforcement, and giving a fair break to the tax payer.

The Administration is making headway in meeting these difficult and vital problems. Our objectives are clear. Reaching these objectives will be a long and continuing process. The Administration has made a good start—this encourages us to believe that our goals will be reached.

*An address by Under Secretary Folsom at a dinner meeting of the American Chemical Association, Washington, D. C., Nov. 18, 1953.

Gardiner Heads Syndicate Dept. for Reynolds & Co.

Robert M. Gardiner

Robert M. Gardiner has been appointed Manager of the syndicate department of Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Gardiner was formerly with A. M. Kidder & Co.

Thomas Darst Forms Firm

SOUTHERN PINES, N. C.—Thomas Darst has formed Thomas Darst & Co. with offices at 610 Morganton Road to engage in the securities business. He formerly conducted his own investment business, and more recently has been with Reynolds & Co.

With State Bond & Mtge.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Jesse R. Scott is with State Bond & Mortgage Co., 26½ North Minnesota Street.

Two With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Ralph H. Falls and Russel L. Gentry are with Bache & Co., 108 West Market Street.

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

November 24, 1953.

70,400 Shares

Central Illinois Electric and Gas Co.

Common Stock

($15 Par Value)

Central Illinois Electric and Gas Co. is mailing to holders of its Common Stock of record at the close of business on November 19, 1953, Warrants evidencing rights to subscribe for one additional share of its Common Stock for each ten shares then held (with privilege of additional subscription subject to allotment) as set forth in the Prospectus. The Warrants expire at 2:30 P.M. Central Standard Time on December 8, 1953.

Subscription Price to Warrant Holders
$24.50 Per Share

The undersigned Dealer Managers have entered into an agreement with the Company whereby they will form and manage a group of securities dealers (including themselves) to solicit subscriptions to purchase the Common Stock. Prior to and after the expiration of the Warrants, Common Stock may be offered by the Dealer Managers as set forth in the Prospectus.

Copies of the Prospectus may be obtained from such of the undersigned Dealer Managers or certain other dealers as are legally authorized to act as dealers in securities in this State and only in such States as the Prospectus may be legally distributed.

Stone & Webster Securities Corporation   Allen & Company

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A Loan Officer's Views on Extending Credit Today

By THEODORE W. JOHNSON*
Vice-President, Security-First National Bank of Los Angeles

West Coast bank loan officer, cautioning his fellow bankers "to get all the facts" when granting loans, outlines a series of rules and suggestions for use of loan officers under today's conditions, with the return of competition in the market places.

It cannot be emphasized too much that it is necessary for a loan officer to "get the facts — get all the facts, or the facts will get you!" It has been pointed out that this applies to all businesses—to our investments—to our everyday life — and especially, this caution applies very particularly in extending credit under conditions existing today.

T. W. Johnson

A man's judgment can be no better than his information. If we don't get the facts we are apt to have a loss, or, what may be worse, a wrong decision will result and someone's business may suffer beyond recovery.

In our business we are up against some tough statistics for our modest interest rate return. One-third of all businesses fail in the first year; 15% more the second year; and as high as 70% are gone within five years. Yet, we are told, we cannot be gun shy—we must continue at all times to assist small business—growth companies — with advice as well as money, for the small companies of today are the large companies of tomorrow. A banker's approach should at all times be constructive —he must be a "doctor"—not an "undertaker." He should remember to assume the historical role of a banker as counsellor and advisor. We cannot intelligently perform this task unless we have the facts.

I can cite figures of a certain bank to show that over a period of years a survey showed 90% of their losses were on secured loans. Security fogged the vision of its loan officers. Too much attention was given to the security and not enough to the ability to pay—the latter, more often than not, being more important than the security.

There is need for constant review of our loans, as the losses we will take over the next few years are probably already on our books. The need today is that we get a clear perspective—for objective thinking. The "orange light" is indicated, and we should proceed on this basis—a conservative optimism, if you please. Neither pessimism nor optimism is called for. We must also get back to the fundamentals of credit — brush up on these credit principles, some of which we have all but forgotten. Younger men must get every assistance from their seniors, and must make an herculean effort to make up for lost time to learn these fundamentals.

Training Credit Men

Bankers have a real job to do in training credit men and future loan officers. The economic climate has not been favorable to their development. Too many have had no experience in an adjusting economy—they don't realize that what goes up can come down and usually does—that backlogs can shrink to nothing overnight and profits turn to losses in the twinkling of an eye; hence, the need of close supervision, rigid follow-up and flexibility to meet any changing situation. One can't learn credits and be a loan man just from reading textbooks any more than a swimmer can learn that way. We must get out and do it—we must work at it — we must learn the hard facts of life by coming to grips with these credit problems.

Here are some good rules and suggestions which might be helpful in extending credit under today's condtions with the return of competition in the market places:

(1) **Review your loans in light of the present economy.** Be accurately informed of the degree of risk being assumed and carried in your over-all loan portfolio. Be sure you have in mind the totals of:

(a) Prime loans.
(b) Good but not prime.
(c) Special loans, which might contain more than the ordinary degree of risk.
(d) Possible problem loans.
(e) Workouts, with element of possible loss.

There is considerable present activity throughout the country in accumulating such figures for management's use or, where desirable, setting up a system of loan classification affording a continual review of loan totals by such classifications.

(2) **Be selective in your credits.** Timing is a vital factor in credit. Remember, too much credit oftentimes is as bad as too little. Compared to a year or two ago, you would upgrade the risks you would assume today.

(3) **Give careful thought to your Credit Department.** Review credit controls. Make sure you have good files and that your credit information is current. Insist on regular statements and regular audits, good accounting controls and good cost records, on the part of your customers. In most instances require monthly statements to be delivered to you within two or three weeks after the end of the month—make this a definite requirement. Analyze those financial statements for any adverse trends. You can be of inestimable assistance in discussing and warning your clients of approaching weaknesses or apparent management deficiencies as revealed by this statement analysis.

(4) **Review statements in detail —watch inventories.** You should analyze and evaluate assets on your basis and best estimate. See how much would be required in liquidation of inventories to discharge total debt—this on the assumption if all debts became current. This will reveal degree of dependence on inventory to pay off borrowings and current debt.

(5) **Be more conscious of and again give careful consideration to the breakeven point of your borrower and his flexibility in meeting any given situation.** We must be mindful that fixed costs too often have become excessive, to some degree frozen in costs and hard to control or reduce, many times as a result of previous indifference and carelessness.

(6) Above all, **don't get panicky** —don't run—be objective.

(7) Finally, **make sure we have the facts,** which is more important than ever. If we have all the facts, we are much less likely to make a mistake.

Success in a free enterprise system is the sum total of many little right decisions; failure is the result of many little wrong decisions — each decision contributes to the other. We cannot make an intelligent decision unless we have the facts. Leave hunches to the genius!

*Summary of a talk by Mr. Johnson before the Bank Management Clinic of South Dakota Bankers Association, Huron, S. D., Nov. 11, 1953.

The Winter Outlook

By ROGER W. BABSON

Panicky readers disturbed by the increasing number of business failures have asked me if business conditions are not likely to take a sharp drop by 1954. Here is what I think:

Roger W. Babson

The months to come will separate the men from the boys in business. Right now, when we are supposed to be booming along, companies are dying at the rate of 700 a month. The aproximately 7,500 business failures since the first of the year have involved dollar liabilities far in excess of any period since the depression.

Study These Figures

Some of my critics say I am too pessimistic. They point out that 67% of our homes are more than 20 years old, that there has been a tremenodus shift from farm to suburbs, and that an entirely new way of living and lots of new wants have been created. They remind me that the number of children in our population has increased 65% since 1940, and that we have 80% more high-school graduates in our adult population since 1940 who presumably have much more highly developed wants than the non-high-school graduates. Some say such factors as these are dynamic enough to hold our economy high.

Against the argument that we have more people with more education and with more discretionary buying power than ever before, are such realities as these: Through the early months of 1953, shoe production was about seven million pairs ahead of potential consumption, and the industry could easily have produced 35% more shoes if they could have been sold. Or, take the automobile industry. At mid-year, 47% more cars had been turned out than in the same period in 1952. But sales rose only 33%. Recent cutbacks and intensive selling have temporarily reduced this spread. But let us face the facts: The government has cut defense programs; inventories have been stockpiling; industrial expansion has passed its peak; industrial building is on the decline. What is to happen to private building I will discuss later.

Better Selling and Investing Are Needed

American business cannot stand still. It moves either forward or backward. To move forward, it must sell. When it stops selling, it dies. Sales have slumped because salesmen have become lazy and sales clerks indifferent. Lots of people still need lots of things; but price levels may be too high. I believe the time has come for reappraisal of potential markets and profit margins. A spiritual rebirth by employers and wageworkers is needed. This may mean only "deluxe models" instead of "super-deluxe models!" It will mean much greater manufacturing efficiency, a cutback in material waste, and an increase in per-man output.

While we are learning to do these things we must expect a readjustment in business activity. Among those industries that will feel the pinch first are automobile, building, steel, and non-ferrous metals. But while manufacturers are readjusting to peacetime demands there will be strong sustaining forces that will hold the economy strong, such as the tremendous developing demand of the World War II baby crop, a heavy supply of savings, and a credit base still capable of considerable expansion. The greatest hope of continued good business lies with the 10 or more billion dollars likely to be spent for the defense of our large cities.

From Washington Ahead of the News

By CARLISLE BARGERON

Undoubtedly the unhappiest and most frustrated group of bureaucrats in Washington is the personnel of the Civil Defense Agency. There are 500 in the agency here and 200 in the field and the most dismal mien in the crowd is that of the head, Civil Defense Administrator Val Peterson, former Governor of Nebraska. This fiscal year they have $37,770,000 to spend whereas they sought $150,000,000. In the appropriations coming up for fiscal year 1955 they are to ask for $66,000,000.

Carlisle Bargeron

It is not their lack of funds, however, that makes these fellows so downcast. They simply can't get appreciated. Mr. Peterson, who is in his job by virtue of having been defeated for the Senate, returned from Europe a few months ago with a most serious sounding alarm about the imminent peril of Russia. It was enough to scare the citizens out of their boots but the principal reaction he got was to be slapped down by higher authorities and told to quit making statements on a subject he knew little about.

Before Mr. Peterson there was a lame duck Southern Governor as head of this Civil Defense and the indications are that he left office with a broken heart because he could never arouse the citizens to their danger. The people have got to be aroused to this danger, for one thing, before the agency can get an appropriation of $600,000,000 with which to stockpile medical supplies and lead pipe and groceries and what not. The medical supplies and the groceries would probably have deteriorated, not to mention the lead pipe. My doctor has repeatedly warned me to never touch anything in the medicine cabinet more than three months old. Recently I tried a physic which was a year old and it almost threw me into convulsions.

The people not being properly aroused, Congress has been so unsympathetic to the stockpiling idea that last year it granted only $20,000,000 of the $600,000,000.

The office of Civil Defense has been with us a long time now. Organized for World War II, Mrs. Roosevelt moved in and appointed a fan dancer to set up a national supervision over organized play for children. It would help their morale and make it possible for their mothers to go into defense plants, she said. Then for a while the head administrator was Melvin Douglas, the movie actor and husband of Helen Gahagen Douglas. The gayest time, however, came with the Administration of the late Fiorello LaGuardia. He had long been known for his penchant of going to fires. He had a specially made fireman's helmet for the purpose. His breath shaking idea was to buy additional fire equipment for all the fire departments in the country.

The high accomplishment of the present Administration has been to have signs posted on highways throughout the country saying that in the event of enemy attack this particular highway will be closed to traffic. It is a not unpleasant diversion to ride along and study these signs and meditate upon the state of our civilization.

Mr. Peterson also reports unenthusiastically that he has a "cadre" of 4,250,000 volunteers signed up to spring into action in the event the atomic or the hydrogen bomb is dropped. But his goal is about 19,000,000 and how can he be expected to interest that number of people unless he has some equipment with which they can play. I can conceive of nothing worse, not excluding the dreaded bomb, than to have some 19,000,000 volunteers running around trying to help.

A few days ago a friend of mine indignantly told me how one of the Civil Defense bureaucrats appeared at the school which his children attended and filled them so full with the horrors of the bomb, A or H, that they came home shaking. It so happens that the schools have regular fire drills in which the youngsters are taught to quietly follow their teachers. This is, of course, just what they should do in the event of such dire happenings as are anticipated, some of these days, from Russia. I am reminded of a popular minstrel song when I was a youngster entitled "I'm going crazy; don't you want to come along."

This writer is no authority on "dangers" or in any position to evaluate their respective seriousness. But a danger that you certainly can't close your eyes to is the growing restlessness of 500 bureaucrats in a Washington office with nothing to do and 200 more out in the field. What worries me no end is that their pent up energy will break out and that in some way they may organize a "cadre" of 19,000,000 volunteers or get hold of more money to spend on heavens knows what. All of us recall the volunteer firemen who for lack of fires to attend started fires of their own. It would be too much of a temptation for all these bomb volunteers to sit around and wait for a Russian bomb to give them their excitement.

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Impact of High Taxes On Corporate Investment

By JOHN LINTNER*

Associate Professor of Business Administration,
Graduate School of Business Administration, Harvard University

Dr. Lintner, after discussing effects of high corporate taxes on the volume of investment which corporations will be able and willing to undertake, concludes volume of investment is repressed by reduced financial incentives and by restricted availability of capital. Holds, however, if business is booming and money is easy, the reduction is relatively small. Points out with a business downturn, the effects of high taxes on incentives and supplies of capital becomes greater, but maintains any alternative sources of tax revenue would also have the same adverse effect.

I propose to discuss the effects of high corporate taxes on the volume of investment which corporations will be able and willing to undertake. I shall focus on the changes in the volume of investment which are due to the use of these taxes instead of others by the Treasury to secure a large part of the money it spends. To sharpen the issues, I will discuss the effect of relying heavily on these taxes to finance a fixed level of public expenditures.

John Lintner

Corporate income taxes can influence the volume of investment which corporations will undertake by affecting (1) the companies' *incentives* to make new investments and (2) the supply of funds available to finance them from both internal and external sources. The effects of the tax in each of these respects depend on who really bears the burden of the tax.

Businessmen have often opposed any heavy reliance on the corporate income tax on the grounds that:

"Corporate taxes are simply costs. The method of their assessment (i.e. whether levied on profits, sales, or physical property) does not change this fact. Costs must be paid by the public in prices and corporate taxes are then in effect concealed sales taxes."[1]

Or again,

"Business organizations, by their very nature, are merely tax collectors, not taxpayers. The cardinal rule of every business—the purpose of any profit-making organization—is to earn a fair return on the money invested. To survive, it must pay its costs and have a fair profit left over. And taxes are just another item of cost. If income taxes take half of a corporation's profits, then it must set its prices high enough to earn twice as much before taxes in order to have the same return."[2]

Now if the entire burden of the corporate income tax is reflected in higher prices (or reduced wages) and rates or return on existing capital investments are fully maintained—as these statements hold to be the case—profits after taxes would not be affected and the amount of funds available from current operations to finance working capital requirements and new outlays on plant and equipment would be as large with high corporate taxes as with low. Moreover, in most respects the terms on which outside funds would be available should not be seriously affected. Net earnings per share on existing stock would be no lower, and there is no reason to expect dividends to be reduced since all the funds needed to pay the corporate income tax are supposed to have been supplied by customers.

With earnings and dividends maintained stock prices should not be seriously affected, and the cost of capital should not be increased.

Incidentally, we may also note that with the corporate income tax fully shifted to others and net earnings and dividends maintained, the alleged double taxation of dividends would be no more than a horrible ghost to shock people. The tax under these conditions would doubtless be subject to serious charges of inequity and harmful economic effects on other grounds,[3] but it would not impose inequitable or undesirable burdens on individual investors.

Even if the corporate income tax were actually shifted so completely onto the consumer and worker, however, reliance on a corporate income tax to finance a given volume of government expenditure would probably reduce the amount of new investment actually undertaken rather substantially. The reason is that relatively large increases in prices (or reductions in labor and other income) would be required to pass on the tax, and unit sales volume would be considerably reduced. (I am, of course, assuming that there are no independent favorable changes in monetary conditions.) With lower volume, less plant capacity and working capital would be required, and consequently the volume of new investment would be significantly lowered. Let me repeat that this reduction in the volume of investment would occur even though the tax were fully passed on in higher prices. This effect of the tax, to the extent that it is generally shifted, has an important bearing on any overall appraisal of the desirability of using it to finance a substantial part of the Federal budget. At the same time we must recognize that, to the extent the burden of the tax does not rest on the company and its stockholders, the usual complaints against the tax from the point of view of the company and the investor are without merit.

These considerations are worth emphasizing because there seems to be little doubt that there actually is a substantial amount of shifting of the corporate income tax, even in the short run. At the same time I am not one of those who believe that the burden of the corporate income tax is so easily, or promptly, or completely shifted to the helpless American consumer and laboring men as the quotations I have given would suggest. Much more solid research devoted to getting at the actual facts regarding the amount of shifting that really occurs under different conditions is badly needed, and I would not want to profess to have the answer for you this morning. My own limited studies of these matters, however, suggest that while the amount of short-run shifting which occurs is greater than economists have generally recognized, the larger part of the burden of the corporate income tax outside of regulated industries does rest upon the corporation and its stockholders. The rest of my discussion will be based on the presumption that this view of the incidence of the tax is substantially correct. In order to sharpen the issues I will simply assume in what follows that the entire burden of the tax is on the company and its shareholders.

What, then, are the effects on investment of the large part of the corporate tax which is not shifted? This part of the tax, because it is not reflected in prices and wage rates, will not reduce operating volume in the short run, and investments that are geared to building up and maintaining adequate capacity will not be cut back because of declines in unit sales. But the net profits which can be expected on new investments to expand capacity and the net gains to be realized from aggressive replacement of existing facilities will be reduced to the full extent of the tax liability. At the same time, rates of return on old investments and the supply of funds from current operations which are available to finance new investments will be reduced by the full amount of the tax except to the extent that dividends are adjusted. Moreover, since these lowered earnings and dividends on outstanding investments will be reflected more or less fully in market prices, the tax will increase the cost of new equity capital and make this source of capital less acceptable. The tax will often also impair a company's access to debt capital or diminish the desirability of using these funds.

In short, the tax, when not shifted, will sharply reduce the volume of investment undertaken by corporations because profit incentives are reduced at the same time that the internal supply of funds and the availability and acceptability of outside funds are restricted. Both lines of effect are unquestionably important in restricting the total volume of investment.

We must be careful, however, not to double count the restrictive effects of the tax, as has been done all too frequently. Suppose the tax, for instance, cuts into the supply of investment capital available on acceptable terms to a company by $5 million, and that $3 million of otherwise attractive projects are no longer attractive because the corporate tax has reduced their prospective net returns below an acceptable level. The reduction in the firm's investments would then be $5 million and not $8 million. In judging the total restriction on investment attributable to the tax we must look to the larger of the two cutbacks. Ideally, this should be done on a company-by-company basis and the results totaled for the economy, allowing, of course, for the interacting effects of one company's investments on another company's volume throughout the system. Since the information that would be needed for such detailed estimates is not available, we must rely on more general observations and be content this morning with rather rough bench mark estimates in what follows.

On the basis of my studies of these matters to date, I am inclined to believe that during generally prosperous periods, the volume of investment is reduced by the impact of corporate income tax on the financial capacity of companies more seriously than it is reduced by the effects of the tax on investment incentives. In other words, the volume of investment not undertaken because of the effects of the corporate tax on the availability of capital on acceptable terms is probably generally greater than the volume of projects abandoned because of reduced incentives where adequate financing is available on acceptable terms in spite of the tax.

Since many popular and most theoretical discussions attach special importance to the incentive aspects, I want to make it perfectly clear that I am not saying that adequate profit incentives are not important to business. They unquestionably are important. Indeed a satisfactory level of profits as a reward for efficiency, enterprise, and risk taking is essential if the system as we know it—and want it to be—is to function satisfactorily. Nor am I denying that the corporate income tax at high rates sharply reduces the net financial gains that can be expected on new investments. I have just affirmed in unqualified language that they do.

But we must surely recognize that the modern corporation is not a simple one-celled organism motivated solely and exclusively by profits. Satisfactory profits are one of the basic objectives of its overall operations, and in many, if not all cases where satisfactory profits are not being obtained, profit considerations may become controlling in managements' decisions. Nevertheless, other considerations generally loom large in investment decisions, as they do in other aspects of company policy. So long as profit positions are not unacceptably low and the necessary funds are available, very substantial amounts of new investment will be undertaken even where there is no very clear evidence that the individual investment moves will add enough to net profit to make them worthwhile on that ground alone. As illustrations, we might mention investments which have been made in order to maintain or improve a company's competitive position, or to improve working conditions or employee relations, to increase the share of a market, or simply, as one executive put it, "to get to be the kind of a company we want to be." This sort of action seems to be particularly frequent where the funds being used are supplied internally; much more demanding financial conditions are often placed on investments that would have to be financed with outside money.

We must also recognize that even so far as strict profit considerations are involved in investment decisions, companies look to the amount of potential loss involved as well as to the rate of return that will probably be realized if the outcome is successful.

Continued on page 35

*An address by Dr. Lintner at the Fall Meeting of the Academy of Political Science, New York City, Nov. 5, 1953.

1 Statement of Mr. Enders M. Vorhees while Chairman of the Finance Committee of the U. S. Steel Corporation, reported in the New York "Times," Oct. 10, 1943. Quoted in Richard Goode, "The Corporation Income Tax and the Price Level," "American Economic Review," March, 1945, p. 40.

2 "Newsweek," Dec. 12, 1949.

3 In effect it would be a crude, highly uneven, discriminating and regressive sales and/or payroll tax, levied at all levels of the production line and capriciously pyramided.

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

$20,000,000

Illinois Power Company

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Dated November 1, 1953 Due November 1, 1983

Price 102.25% and accrued interest

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November 25, 1953

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Tax Measures Abroad to Spur Foreign Trade and Investments

By MITCHELL B. CARROLL*
Special Counsel, Tax Committee,
National Foreign Trade Council, Inc.

Among the trends and measures in foreign countries tending to encourage foreign trade and foreign investments discussed by Mr. Carroll are: (1) lower corporate tax rates; (2) fairer treatment of non-resident taxpayers; (3) exemption from taxation of branches abroad; (4) tax exemption of dividends earned abroad, together with other tax concessions.

From the mountain top of taxation in the United States, whence domestic corporations go forth to trade or invest, the corporate executive can look with discouragement upon the foothills and plains where his competitors operate. The primary objective of the proposals of the National Foreign Trade Council which are pending before the Committee on Ways and Means is to assure, insofar as possible, competitive equality taxwise in the foreign country where branches or subsidiaries are located.

Mitchell B. Carroll

The argument has been presented that there is no point in offering tax concessions to assure equal competitive conditions abroad as the tax rates imposed in the home countries of our principal competitors on profits earned abroad are as high as those in the United States. Our purpose is to show: (1) that the level of corporate taxation in these countries is or soon will be appreciably lower than that in the United States; (2 that these countries have adopted measures to defer tax liability or exempt in many cases profits of foreign branches or dividends from foreign subsidiaries; and (3) that they have even extended relief to cover other forms of taxes with a direct impact on exports.

Lower Level of Corporate Tax Rates Abroad

After the United States excess profits tax expires as of Dec. 31 of this year, the domestic corporation will remain subject to normal tax and surtax with a combined top rate of 52%. In 1954, its English competitor will bear a combined top rate of standard rate and profits tax of 47½%. The top rate in Canada is 47%, against which is allowed a credit up to 7% for provincial taxes, e.g., the 7% tax payable to the Province of Quebec.

A bill is pending before the Netherlands Parliament to reduce the top rate of corporation profits tax from 52% to 46%. The French tax on the profits of companies is 34%. The Italian rate with additional centimes for the provinces and communes is about 25% or 26%. The Swiss Federal tax has a top rate of 12% and it is reported that consideration is being given to reducing this rate to 7%.

Germany has recently reduced its corporation tax of 60% to 30% in the case of distributed income, and it is reported that a bill is pending to reduce the 60% rate to 45% on undistributed income. The corporate rate in Japan is 42%.

The rates in many Latin American and other areas where the competition is keen are considerably lower. Moreover to attract industries numerous less-developed countries offer exemptions for plowed-back earnings, accelerated rates of depreciation, or "tax holidays" for a period of, say, 5-10 years. Hence, it is important to see how far some of the leading exporting and capital-supplying countries have gone in enabling their enterprises to operate abroad and bear only the tax imposed in the country where the branch establishment is located.

*An address by Mr. Carroll at the Tax Session of the 40th National Foreign Trade Convention, New York City, Nov. 18, 1953.

General Principles of Tax Liability Abroad

In the first place, it may be pointed out that all the leading foreign countries tax their citizens, as well as aliens, on the basis of residence or non-residence. While a given country may in principle tax citizens or aliens on entire net statutory income from foreign as well as domestic sources, the citizen or alien who resides abroad is only taxable in the given country upon income from sources derived therein. For example, if a citizen of the United Kingdom gives up his residence in England and goes to a foreign country, where he resides and acts as an importer or distributor of his home country's goods, he will be entirely exempt from his home country tax on the profits so derived in the foreign country. The United States citizen, however, is placed at a competitive disadvantage in that the income earned in a foreign country as the result of his personal efforts and the use of some capital is exempt only to the extent of 20% of the profits earned, and because of his citizenship he remains subject to the United States tax on all his other income derived abroad, such as dividends, interest, rents and royalties. May I emphasize that this is so even if he does not derive a cent of income from United States sources and even if he never visits the United States but remains abroad until his death. At that time the United States will seek to impose a tax on his entire estate accumulated abroad, except real property situated there.

However, for the purpose of this Session, our interest is primarily in what the countries of our leading competitors are doing to encourage their citizens to invest or trade abroad. We will limit our discussion primarily to the United Kingdom, Canada, and the countries of Western Europe.

United Kingdom

The income tax of the United Kingdom has often been invoked as an example in the development of the United States income tax system. It was started as a temporary measure to raise revenue during the war against Napoleon, and has been in force almost continuously ever since. One of the most important provisions in the United Kingdom income tax act is the one under which a British corporation, which is managed and controlled in a foreign country, where presumably it has its principal establishment, is taxable in England only to the extent of the profits remitted to the United Kingdom.[1] This has obviously helped tremendously in the development of establishments of various kinds abroad. The United Kingdom has more recently adopted the credit for foreign taxes,[2] in a form substantially similar to that provided in Section 131 of the United States Internal Revenue Code, but its old provision, which refrains from taxing a British company until the income earned abroad is brought home, still applies.

A Royal Commission has been appointed to study further tax concessions that should be made to facilitate the development of trade and industry abroad. In its preliminary report[3] the Commission notes that the credit for foreign taxes is inadequate as a relief measure because the liability to the United Kingdom tax on profits earned abroad nullifies incentives offered by less developed areas which grant exemptions or "tax holidays" for a period of years, or accelerated rates of depreciation. Hence, the Commission suggests, in substance, that credit should be given for the amount of tax that the other country foregoes as a relief measure to attract industry.

Although Britain grants deferment of tax until income is remitted in the case of corporations managed and controlled abroad, it does not recommend this as a general regime, such as is contemplated in H.R. 611, known as the Simpson Bill, because of the difficulties in identifying or accounting for remitted income.[4] The recommendations of the final report of this Commission are awaited with keen interest.

Canada

Canada has outdone Britain in the scope of its provisions for encouraging foreign trade and investments. From the outset, the Dominion has taxed non-residents, including citizens, only on income from Canadian sources and has granted residents a credit for foreign taxes. However, its law has also contained a very practical liberalization of the United Kingdom measure for encouraging investments and business abroad. This provision is now found in Section 71 of the Dominion Income Tax Act. The first paragraph of this section states simply that no tax is payable upon the taxable income of a corporation for a taxation year when it was a "foreign business corporation." This term is defined as a corporation which, during the whole of the taxation year:

(1) was not a personal corporation,

(2) has within a prescribed period filed a return and paid an annual fee of $100, and

(3) has complied with certain conditions within one of three categories.

The first category includes companies which meet three conditions, namely:

(1) their business operations are of an industrial, mining, commercial, public utility or public service nature;

(2) their business operations are carried on entirely outside Canada, either directly or through investment in or control of subsidiary or affiliated companies. This is subject to the exception that neither the management of such corporations or the designing, purchasing and transportation of goods by them need be carried on entirely outside Canada, assuming the goods are not acquired for resale in the course of trading, and are acquired for the operations carried on outside Canada;

(3) the property of such corporations, except for securities and bank deposits, must be situated entirely outside Canada.

The second category includes corporations which are wholly-owned subsidiaries of corporations qualifying under the previous category and are wholly engaged in carrying on business outside Canada.

The third category includes corporations which meet four conditions, namely:

(1) their business is of an investment or financial nature;

(2) their business is carried on entirely outside Canada;

(3) their shares have been offered for public subscription or listed on a recognized stock exchange, either in Canada or elsewhere;

(4) their property is entirely situated outside Canada, except for—(a) bank deposits; (b) shares of other foreign business corporations.

As shares of corporations incorporated in Canada are properly situated in Canada for the purposes of section 71, a corporation coming within the third category may not hold shares of any Canadian corporation which are not themselves foreign business corporations.

In order to encourage recourse to these corporations by non-residents, provision is made in the Income Tax Act for reducing the ordinary withholding rate of 15% for non-residents to 5% in some cases and zero in others. Thus, section 107 exempts non-resident shareholders of foreign business corporations from withholding tax on dividends in certain circumstances, namely, if not less than 90% of the amounts included in the income of the foreign business corporation for the taxation year in which the dividend was paid, was derived from the operation by it of public utilities in a particular foreign country. In that case, the non-resident shareholder is exempt from the 15% withholding tax on dividends from the foreign corporation, (a) if he is an individual shareholder residing in said foreign country; or (b) if in the case of a corporate shareholder, individuals owning more than 50% of its share capital, having full voting rights under all circumstances, reside in that foreign country.

The withholding tax of 15% is reduced to 5%[5] in the case of dividends paid to a non-resident corporation by a Canadian subsidiary corporation, if:

(a) the non-resident corporation owns all the subsidiary's share capital with full voting rights under all circumstances (except directors' qualifying shares) and

(b) either—(i) the chief business of the subsidiary is the making of loans, or (ii) not more than one-quarter of the gross revenue of the subsidiary for the taxation year in which the dividend was paid was derived from interest and dividends other than such income received from a wholly-owned subsidiary corporation.

Canada grants[6] a corporation of that country a deduction equivalent to a "dividends received credit"—to use the language of our Code—of 100% not only in respect of dividends from another resident Canadian taxed corporation but also from:

(a) a non-resident or foreign corporation in which the receiving corporation owns more than 25% of the issued share capital with full voting rights, or

(b) a "foreign business corporation" in which the receiving corporation owns more than 25% of the issued share capital with full voting rights.

European Exemption of Branches Abroad

It is significant how many of the Continental European countries have adopted the basic principle in their tax laws or treaties that income produced at a permanent establishment in another country should be taxable only in the country where the establishment is situated. Some countries predicate the exemption upon liability to tax in the country of the establishment, while others grant the exemption regardless of whether any tax is due in the country of the establishment. Thus, France[7] and Italy[8] exempt from their commercial profits taxes the profits allocable to a permanent establishment abroad.

The Swiss National Government exempts corporations from the Federal Defense Tax by reducing the taxes on entire net income and fortune in the amount of such taxes which corresponds to the income of, and the capital invested in, a branch abroad, regardless of whether tax is paid abroad.[9]

The Swiss cantons, which had taxes on income and fortune before the Federal tax was introduced, apply the same principle, except that a number of them grant the exemption only if the profits have been taxed in the country of the establishment.[10]

Spain similarly exempts from its profits tax the profits allocable to an establishment in another country if they have been subject to its tax.[11]

The Netherlands accomplishes exemption of income earned and taxed abroad by reducing its corporate tax by an amount equal to what its tax would be on the foreign income if it were the sole income of the corporation.[12]

This same principle is incorporated in numerous bilateral agreements to which all of the foregoing countries, except Spain, are parties. The treaty provision provides in general that where an enterprise of one contracting state has a permanent establishment in the other contracting state, the profits allocable to said permanent establishment will be taxable only in the latter state.

Belgium has different rates applicable to the distributed income of a company as distinguished from the undistributed income. The distributed income is subject to both a crisis tax of 20% and a movable property tax of 30%. The undistributed income is subject to the professional tax with rates progressing from 25% to 40%, if paid in advance, with an increase of 10% if paid in the

1 Mitchell v. Egyptian Hotels, Ltd., 6 T.C. 542.

2 Finance Act 1953, sec. 26, 17th Schedule, secs. 348, 350 and 353.

3 Royal Commission on the Taxation of Profits and Income, First Report, February, 1953, pars. 52-58.

4 Ibid., pars. 34-39.

5 Dominion Income Tax Act, sec. 106 (3).

6 Dominion Income Tax Act, sec. 28 (1).

7 UN Document E/CN. 8/66 Add. 4, p. 5.

8 League of Nations, Taxation of Foreign and National Enterprises, Vol. IV, p. 569.

9 Arts. 19, 44, 46 and 55, Fed. Defense Tax Law.

10 League of Nations, Taxation of Foreign and National Enterprises, Vol. II, p. 436.

11 Del Olmo y Riviriego, Contribucion de Utilidades, 1929, p. 409, Luis y Rafael, Martos y Jaldon, La Contribucion sobre las Utilidades de la Riqueza Mobiliaria, 1948, p. 154.

12 Regulations of Sept. 10, 1941, UN Document E/CN. 8/66 Add. 5, Nov. 21, 1952.

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second six months of the year, and by 20%, i. e., with rates ranging from 30% to 48%, if paid two months after receipt of an assessment subsequent to the close of the taxable year. If income which has been earned and taxed abroad is included in distributed income, the crisis tax is reduced from 20% to 4%, and the movable property tax from 30% to 12%. If the foreign taxed income is included in the undistributed income, the rates of professional tax thereon are reduced to one-fifth of their normal amount, i. e., the rates range from 5% to 8%, if the tax is paid in advance.[13]

European Exemption for Dividends

Various European governments have realistically assimilated dividends on shares from foreign subsidiaries to profits from a permanent establishment abroad by granting exemption likewise to such dividend income. Thus, Italy exempts dividends received by an Italian company from a wholly-owned or practically wholly-owned subsidiary abroad.[14]

A Swiss corporation holding more than 20% of the stock of a foreign company, or whose holdings in such company are worth more than two million francs, receives a reduction in tax corresponding to the ratio of the dividends in question to total gross profits.[15]

The Netherlands grants to a domestic company a reduction in its tax corresponding to the amount of its tax on dividends received from a foreign subsidiary, if the latter has been taxed abroad.[16]

As has been shown, Belgium taxes the dividends from a foreign subsidiary by applying the movable property tax at the rate of 12% instead of 30%.[17]

Other European Tax Concessions

In order to encourge exports, various European governments are vying with each other in granting other types of tax concessions. Thus, quite generally governments grant either exemption from or reimbursement of their turnover or sales taxes on the sale for export, and it is said that others either grant, or are contemplating the granting of, a reimbursement of an arbitrarily determined amount to represent accumulation of sales taxes on raw materials and parts that have gone into the finished product that is exported. Germany remits for income tax purposes 3% of the gross sales price of exports of semi-finished goods, and 3½% in the case of finished goods.

France, for example, grants an exemption of 20% from the retail price if the buyer has his purchases sent to the ship on which he is sailing to the United States. France also grants for exports to all countries, with the exception of Argentina and Iron Curtain countries, a lump refund of 100% of social security charges based on the salaries of workers engaged in production of export products, and a refund of from 5.45% to 8.72% of certain fiscal charges. In some cases the application of such measures of tax relief for exports have been described as "fiscal dumping." They apply, of course, primarily in cases where the company is exporting directly to purchasers abroad without being subject there to income taxes. They could in practice cover cases where the sales are made to foreign subsidiaries.

13 UN Document E/CN. 8/66 Add. 2, pp. 3, 5, 7.
14 League of Nations, Taxation of Foreign and National Enterprises, Vol. II, p. 267.
15 Art. 59, Fed. Defense Tax Law.
16 Regulation of Sept. 10, 1941, UN Document E/CN. 8/66 Add. 5, Nov. 21, 1952, p. 13.
17 UN Document E/CN. 8/66 Add. 2, pp. 3, 5, 7.

Recapitulation

In this brief survey we have seen:

(1) That even after the expiration of the excess profits tax, American corporations will be subject to a higher level of national tax rates at home than competing corporations in the United Kingdom, Canada and various exporting countries of Europe, and Japan.

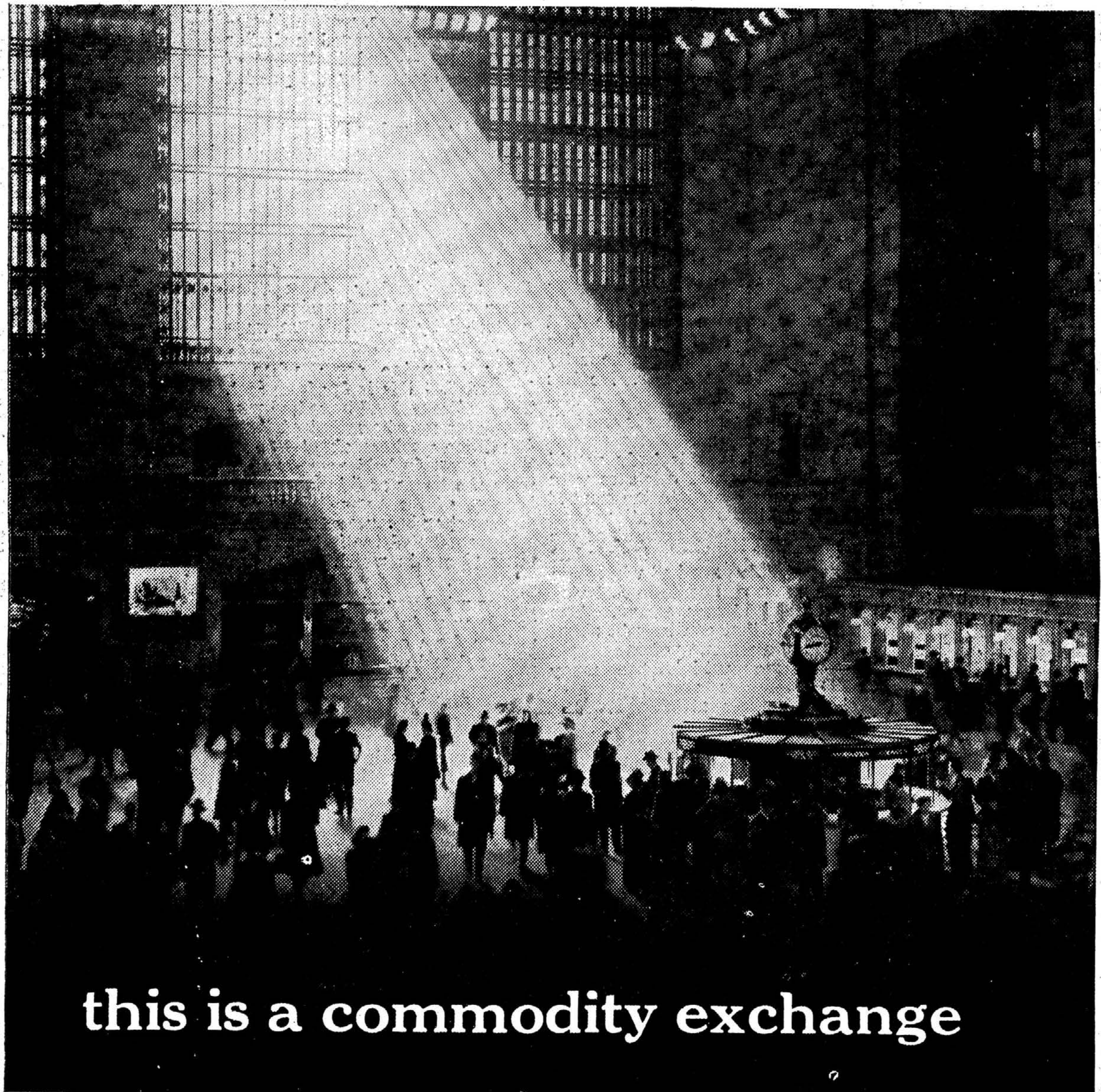
(2) That many European countries in their tax laws and treaties have recognized the exclusive right of the country where a permanent establishment is located to tax the profits attributable thereto.

(3) That various European countries and Canada have under certain conditions exempted dividends received by a domestic corporation from a foreign subsidiary.

An obvious advantage of these measures over the foreign tax credit is that they do not nullify tax incentives offered various under-developed countries to foreign-owned enterprises in the form of tax holidays, exemptions for income plowed back in the expansion of the plant, enlarged depreciation allowances, and the like. Such measures do not subject the domestic corporations to the competitive handicap of having to pay the excess of the domestic rate over the foreign rate. Furthermore, they obviate problems arising where the foreign law shows that the tax is intended to reach income but the tax does not fit four-square the Treasury concept of an income tax allowable as a credit.

When we consider the measures also adopted by various European countries to encourage exports in the form of exemptions from or reimbursements of sales or production taxes, remissions of a percentage of gross receipts from exports (as in Germany), and even refunds of social security charges (as in France) we can realize how far certain governments have gone to help their enterprises undersell competing enterprises of other countries including those of the United States.

The various proposals of the National Foreign Trade Council, which will be outlined by your Chairman, such as liberalizing the foreign tax credit, or reducing the rate of tax on income from foreign branches or subsidiaries, appear too modest by comparison with the measures applied by other governments. Even the adoption of the principle of refraining from taxing income of foreign branches and subsidiaries may not be sufficient to assure in all cases complete tax equality with foreign competitors.



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A Preview of Administration's Labor Policies

By HON. JAMES P. MITCHELL*
Secretary of Labor

Recently appointed Cabinet member, in making first public address, comes out definitely against repeal of the Taft-Hartley Act, but says Administration favors amendments that would remove the "unfair parts." Says Act in many of its features is sound, fair and just, and precludes further talk of its repeal. Gives his own criteria on proposed recommendations for Taft-Hartley amendments. Favors wider application of minimum wage laws and increase in present 75-cents per hour level.

I must frankly state that what I say may not give complete comfort because I am not going to favor repeal of the Taft-Hartley Act. But before I am done I will tell you where I do stand on that highly controversial subject which has unfortunately served to divert public attention away from other matters of vital concern to labor.

James P. Mitchell

Standing here before you on this platform, I must confess, is a new experience for me. It is also a new experience for you. No CIO convention was ever addressed by a Secretary of Labor appointed by a Republican President of the United States. That is simply because this is the first CIO convention to be held with a President in the White House who was elected on the Republican ticket. The CIO has lived all of its life so far under Democratic National Administrations.

Under the circumstances it is understandable and natural that, having grown to an institution of such magnitude in the years which coincided with the years of power of a Democratic regime, at least some people in the CIO would be concerned, and even apprehensive, about the present and future under Republican-led government.

On this score I want to be precise and emphatic. Dwight D. Eisenhower is President of the United States. To him and to America that means that he is the President of all of our people—Republicans, Democrats, and Independents alike. As President he does not and will not represent the interests of one party or one group. His standard of action and policy in office will be what is good for all America.

A Strong, Free, Responsible Labor Movement Is Good

A strong, free, responsible labor movement is good for America. There is no disposition in this Administration to turn back the clock, nor to recall the old days when American labor was cowed, exploited, and unorganized. On the contrary, there is a keen recognition that the national policy to encourage collective bargaining between employees and employers is sound policy, accepted and supported by an overwhelming majority of our citizens.

And there is a further recognition, that to operate successfully, that policy must rest on the existence of unions free to function in their members' interests, responsive to those interests, and because they have grown so great, responsible to the whole community for what they do.

Amidst all the speculation here and at other labor meetings over what is President Eisenhower's attitude toward unions, my advice to you is to keep clearly in mind the President's own words. He has said:

"I pledge that I will support and strengthen, not weaken, the laws that protect the American worker. I will defend him against any action to destroy his union or his rights. I will enlist every resource—of private industry and of the Federal Government — to protect him against the awful consequences of depression and joblessness.

"I will work unceasingly to build an economy that will maintain for him a high level of wages with steady purchasing power so he and his family can share fully in the comforts of American living. Finally, I pledge that I shall strive to conduct myself so that at the end of my service the workers of America can honestly say: He has been fair. He has been my friend."

That is where he stands and will continue to stand.

Nevertheless, this body would be like a flock of ostriches with their heads buried in the sand if it did not in its deliberations here in Cleveland take account of the fact that something in the air has changed. We have had what is as close as we can come in America to a national referendum. The very least that can be said about it is that a majority of our people—and there must have been many CIO members among them — changed their attachment from the record and policies of the previous administrations to support for Dwight D. Eisenhower.

I think it may fairly be said that our labor problems now are too big, too important, and affect too many people to be treated as a political football. They are too serious to be carried into the White House by the back stairs, as was the case too often in the past. This Administration has established clear lines of government authority for the handling of labor problems which run straight from the Department of Labor and the independent agencies with responsibility in this field to the President himself.

This I will say: these problems are no longer going to be slipped into the White House by a side entrance and, what is more, they will get sympathetic, earnest consideration.

To handle our labor problems in this way will require the cooperation of the leaders of organized labor. I am here to invite such cooperation, not only because the Administration wants it and I personally want it, but because we believe it is the national will. I know that, with the abundance of statesmanship in the councils of union leadership, such cooperation will be forthcoming.

With such cooperation we can work together to help strengthen the economic and social fabric of America even though our political views may differ.

That is what our country expects of us. Join me in making sure that our country is not let down.

Wants Minimum Wage Law Expanded

One of the first things to which I want to devote myself with your help and the help of other unions and of employers is repairing and raising the floor which we want under our national wage structure. I consider our minimum wage statute can be a great bulwark against substandards of living. It is badly in need of shoring up.

From my previous experience I had a good general knowledge of the minimum wage law. But I will tell you frankly that, since coming into the Department of Labor and attempting to familiarize myself with its work and responsibilities, I have been shocked at what I have learned about the various ramifications involved in the application of that law.

I knew that of the 63,000,000 men and women working in the United States as of mid-1953, some 20,000,000 were farm operators, worked as public employees, were in the professions, were self-employed or were engaged in similar occupations — and that none of these was covered by the present 75-cent minimum wage.

Cites Number Exempt

I was aware also that about 3 million were employed in businesses so local in character that they could not be helped by a Federal statute. I believe that, with exception of one or two industries I knew something about, the approximately 40 million other workers in America were protected by our minimum wage law.

My surprise came when I learned that this is far from fact. The studies which I have had prepared for me show that of these 40 million workers, about 18 million, or nearly half, were exempt from the terms of this law either because of the general language of the act or because specific language exempted the industries or work places in which they were employed.

Now mind you, these 18 million people were in addition to the 20 million farm operators, and professional and other self-employed persons who were not covered by the law, and were in addition to the almost 3 million in purely local businesses who were also not covered. This means that of the 63 million working people almost two-thirds have no Federal protection now against substandard wages.

I do not believe that we have established the type of floor under our national wage structure that a prosperous America wants and must have if so substantial a number of our working men and working women are without the safeguard of minimum wages. Not only is their position dangerously insecure, but as long as such a condition exists it imperils the economic status of those workers who are lucky enough to be covered by the law or are represented by strong unions in profitable industries.

With almost two-thirds of working Americans unsupported by our minimum wage statute, the ability of too many of our people to save and buy the things they need and want is seriously impaired.

I am deeply concerned to see that there is in America an ever-expanding demand for the consumer goods which are made in the plants in which you and other Americans work.

Avenues of Action on Minimum Wages

I want to tell you here and now that we are doing something about this. There are four avenues of action which we are following:

(1) We are examining the categories of exemption and exclusion and are exploring the possibility

Continued on page 45

*An address by Secretary Mitchell before the Annual Convention of the Congress of Industrial Organizations, Cleveland, O., Nov. 18, 1953.

Building Prosperity Through More World Trade

By EUGENE HOLMAN*
President, Standard Oil Company (N. J.)

Executive of leading oil producer that operates in both domestic and foreign fields, points out importance of greater international trade as an instrument contributing to international strength and peace. Lists a number of existing "road blocks" to foreign trade expansion, and calls for a clear and consistent U. S. foreign trade policy. Deplores increasing tendency of U. S. courts and law enforcement agents to apply our laws to operations beyond our borders, and condemns discriminations of foreign countries against outside industries and traders. Warns against pushing "industrialization" of undeveloped countries too fast, and advises nations to set their financial houses in order to promote economic stability.

When historians write about the times we are now living through, I hope they may be able to say something like this—and I quote from a book which might be published toward the end of this Century:

Eugene Holman

"In the decade following World War II the United States gradually developed consistent and realistic foreign trade policies which contributed largely to the prosperity and strength that the nation enjoyed. This was not an easy task for many reasons—one being the complexity of the problems involved. It took years of study and discussion to hammer out the basic principles, and many agencies—governmental and private—were active in campaigns which won acceptance not only from the business community but from the general public as well."

If future historians refer in this way to "many agencies" which helped reach such goals, I'm sure that high on the list will be the National Foreign Trade Council, this organization which does me so much honor tonight.

I hope that these future historians will further record that many other nations also worked out realistic policies and put them into practice; that through cooperation the free nations were able to increase substantially the international flow of goods, services and capital; that as a result a solid base for world peace was created.

While we look hopefully today to the achievement of such objectives, we have to admit that the difficulties in the way are great. Yet there are also encouraging signs of progress. There has seldom been so much interest both at home and abroad in promoting world trade as has been evident recently. And there are good reasons why this is so.

Because of the loss of manpower, wealth and plant, the task of restoring trade after the Second World War would have been tremendous even under peaceful conditions. But such a favorable condition—an atmosphere of true peace—did not exist. The world was faced with new threats to life and freedom. It became imperative, therefore, to restore trade, and to rebuild the economies of other nations not only for humanitarian and commercial reasons, but for the most fundamental of reasons—self-preservation.

It was clearly in the interest of the United States to keep the outposts of the free world secure, rather than to withdraw step-by-step under pressure until, conceivably, we might find ourselves besieged within our own borders. And since military strength cannot be maintained for long except on a base of economic strength, people of the United States extended large-scale economic aid to other free nations.

These aid programs were emergency measures. They were designed to hold the fort until other nations could lay the foundations for economic recovery. These have now been laid and, it seems to me that, except for some help in the procurement of direct military items, these aid programs have largely served their purposes.

I think most people agree that, in the long run, the best way for other nations to get dollars is through private trade and investment, rather than through large loans and grants-in-aid on a government-to-government basis. It is better for other nations and better for us that they should stand on their own feet.

Greater Trade from Increased Productivity

There is another reason why foreign trade is important to us. Through a process of historic evolution—resulting partly from the gifts of Nature, but more importantly from our form of government and the character of our business system—we are the most highly productive nation in the world. We have reached a point where we not only produce large volumes of goods for our own consumption but, in many lines, we can easily turn out amounts beyond our own needs.

We all know that if we are to dispose of such goods realistically we must trade on a two-way street —where we send our goods and services abroad and where, in return, different goods and services come to us from overseas. And there is great advantage to us at home, as well as to traders in other countries, through such exchanges. When we trade our products for those we do not have, or for those which other people can make more advantageously, we benefit by having a wider variety of things to enjoy. Or we may benefit by getting them at lower prices.

Of course, we could maintain a high level of economic activity without a great deal of foreign trade. But just as our high living standards have resulted from the free exchange of large volumes of goods within our own borders, so can we advance our prosperity still further by enlarging the area of our trade.

Roadblocks to Trade

What is less obvious is how to reduce the roadblocks that now hinder the free world from moving toward an expanding international trade — toward an exchange of goods and services balanced at progressively higher levels.

Statements made both here and abroad sometimes give an impression that there is only one roadblock, namely United States

*An address by Mr. Holman at the World Trade Dinner of the 40th National Foreign Trade Convention, New York City, Nov. 18, 1953.

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tariffs. All would be well, some contend, if our tariffs were reduced or eliminated. This is a most unfortunate over-simplification. In my opinion, these tariffs are only a small, though important, part of the whole problem. Our government, other governments, and businessmen here and abroad each must develop and implement more liberal and constructive policies in several fields before international trade and investment will make their potentially greater contributions.

High on the list of things which our government should do to foster foreign trade is to act consistently. A roadblock which, it seems to me, is a greater obstacle than any specific United States law or regulation, is the uncertainty as to how long our laws and regulations will remain on the books unchanged. For example, the uncertainty of our tariff policy, as distinct from the rate of our tariffs at any particular time, is a great deterrent to a businessman who plans to construct a foreign plant to supply goods for the American market.

I do not hold the view that we should abolish all tariffs. Nor do I hold the view that our present volume of imports is so low that other nations can justly criticize us, nor that our tariffs—with certain exceptions—are outrageously high. But I do hold the view that we should move consistently in the direction of reducing tariffs and quota restrictions and simplifying customs procedures.

Another specific roadblock is the so-called "Escape Clause" in the Reciprocal Trade Act. Actually this clause has been administered wisely and fairly and has not, so far as I know, caused any great hardships. But its existence is a deterrent to any foreign businessman who contemplates conducting a campaign to sell his product in the United States. He may well feel that the more successful his efforts, the more likely that they will be nullified through operation of the Escape Clause. Personally, I should like to see the Reciprocal Trade Act renewed. In that connection, certainly neither the Escape Clause nor its counterpart, the peril Point provision, should be further tightened to protect the few at the expense of the many.

Our government also should review United States tax laws respecting foreign business income. These frequently handicap American companies operating abroad. At present, even if there is favorable tax treatment abroad, the result is often only an increase in United States taxes when the profits are brought home. Foreign governments quite understandably ask — why should they reduce taxes just so that the United States can increase its take?

The Problem of Divergent Laws on Taxation

Where United States' companies stand with respect to divergent laws of our own and other countries needs to be clarified. Any responsible American company naturally wants to conduct its business, no matter where, in conformance with our own legal concepts. But companies must conduct their foreign activities in accordance also with the laws and customs of each country in which they operate. This presents serious problems in cases where conformity to United States law or custom might require violating law or custom of the foreign country, or the reverse. And these problems have been intensified by the increasing tendency of United States courts and law enforcement agencies to apply the laws of the United States to operations beyond our borders. This tendency is rightly resented by other nations. It is a serious roadblock to foreign trade and investment.

Government Support of Foreign Investment

While on the subject of American business abroad, I'd like to mention the question of diplomatic support. Encouragement of United States private investment abroad has long been regarded as a basic and unchanging policy. Government authorities readily agree to this in principle. Yet, actions by our agencies and representatives on occasion have seemed inconsistent with this policy. They have also seemed inconsistent with actions and statements of other United States agencies and representatives affecting foreign trade and investment. The resulting confusion hampers constructive economic and business programs.

Finally, any course of action proposed for the United States Government should be weighed in terms of the national interest as a whole. The full benefits of world trade can never be obtained if a policy which should be truly national in purpose is unduly influenced by domestic special interest groups. Furthermore, a national interest approach is one which all other nations can understand and accept. There is nothing contradictory between working for a high level of foreign trade and maintaining the best interests of each participating country. We can and should be entirely frank in asserting our national interest and should welcome frankness in return.

Now that we have looked at conditions in our own house, it is proper, it seems to me, to consider actions open to other nations. Naturally, each one must decide its own policies. We in this country must keep from even the appearance of dictating. But we can, as friends, indicate the areas in which we think other governments could take steps to our mutual benefit.

Foreign Discrimination Against U. S. Investments

First, of course, are the roadblocks to freer world trade that have been erected by some of those governments. One of the biggest consists of discriminations against outside industries and traders. Many nations seem content to point to American tariffs as an excuse for their inability to trade when often they have put up much more formidable tariff and other barriers themselves. Systems of quotas, the existence of lengthy and specific trade prohibitions, bilateralism and other discriminatory trade practices indulged in by other governments are cases in point. The excesses that follow misguided nationalism, confiscation of property, the repudiation of contracts honestly entered into and honestly observed are certainly not elements that encourage trade to flourish. Trade among nations depends uniquely upon mutual effort.

As a result of our own country's high productivity, we have not only the large volume of goods for export that I mentioned earlier but we also have capital for export. American investors are willing to assume normal risks in putting their capital to work abroad. But in many instances the risks go far beyond the normal due to uncertainly respecting security of property, managerial rights, taxation, and repatriation of invested capital and profits.

It is always encouraging to read pronouncements by officials of foreign governments regarding fair treatment of foreign capital. But what is needed most is concrete action.

Pushing Industrial Development Too Fast

In this age, all nations look to industrial development as an important means to national strength and better living standards for their peoples. But important as it is, industrial development must not be allowed to get out of balance with agriculture and other elements of the economy. Pushing industrial development at too fast a pace can disrupt agriculture and foreign trade dependent on it.

Nations can promote economic stability by honest attempts to set their own financial houses in order. This calls for realistic tax systems and an equitable distribution of the tax burden. It calls for the use of revenue for developments which will truly benefit the people generally instead of, for example, impressive but non-productive public improvements. Available funds should be used to buy necessities before spending for luxuries.

If measures such as those I have mentioned are followed wholeheartedly by many nations, the basis will be established for the removal of what is undoubtedly one of the biggest single roadblocks to expanded world trade—namely the non-convertibility of currencies. Once currencies become truly convertible, the abilities of all nations to export goods, services, and capital will be tremendously increased. World trade will really come into its own. But let us be clear that, desirable as convertibility is, the mechanism will not be really effective unless present regulations which limit rights to acquire and use currencies and which are otherwise restrictive and discriminatory are revoked at the same time.

Role of Governments in Foreign Trade

In discussing foreign trade it is inevitable that one should devote much time to the role of governments. As a result one may seem to underestimate the role of businessmen and unwittingly to encourage the trend toward the entry of government into areas which should be the responsibility of private enterprise. Actually, one of the most powerful forces for international understanding and cooperation is the influence of thousands of individual businessmen working directly with the people of other countries.

The mere fact that these innumerable daily relationships take place does not, of course, automatically assure that the results will be good. Yet is is encouraging to observe that for many years American businessmen living abroad have been learning the ways and attitudes necessary to bridge the natural gaps between people of different traditions and customs. The basis for our growing capacity for cooperation has proved to be the rather obvious one of honestly trying to find and emphasize the many things we have in common as opposed to our differences. We are learning to be part of the foreign community, both at the level of the corporation itself and at the level of personal relationships.

Policies which contribute to this desirable state of affairs cover a wide range of actions. They include the careful selection and training of employees who go abroad, the employment and training of nationals, fair employee relations policies, participation in local activities, keeping out of local politics, and many more. An intimate knowledge of the language and customs of the country on the part of the expatriate employees is also important.

American business organizations abroad should make a continuing effort to inform government officials, employees, and the general public not only about company actions and purposes, but about the principles which govern the flow of private investment from the United States. It is not difficult to find government officials in many countries who are ready to agree with American investors that a given policy would be in their nation's interest. But they will point out that they cannot act accordingly and remain in office because of contrary public opinion. Governments and businessmen can be very helpful here, by seeking to develop understanding and acceptance in other countries of actions essential to an increased flow of American private capital to foreign countries.

Foreigners Should Seek Sales in U. S.

Businessmen of other countries wanting to increase their sales in the United States must intelligently exert themselves to that end. We are, today, in what is essentially a buyers' market, and no businessman — American or foreign—is automatically guaranteed a place in it. The success which many foreign manufacturers have had in developing business in our country since the end of the war shows that our tariffs are not always insurmountable. Businessmen of other nationalities will do well to study the American mind and the American market, and to design their products and sales programs to attract the American consumer.

Public opinion in the United States is extremely important to the enactment of policies here which will lead to the expansion of foreign trade. It is not sufficient to limit our discussions of what the policies should be to legislators and other government officials. Many of them are already well-informed about foreign trade problems. Individual lawmakers may share our views, but under our representative form of government their decisions are rightfully influenced by what they believe their constituents back home want to see done.

It is necessary, therefore, that a broad program of information be directed at the general public so that a wider understanding and support for sound policies may be won from people throughout the United States. It is fitting that the members of the National Foreign Trade Council should take an active part in this task during the coming months.

But, even more to the point, is where such informational work can lead. Tonight we have considered many actions which our government, other governments, and businessmen can take to improve the world economically. That is a vital job in itself. It is also an essential foundation of something far greater — international political strength.

The cooperative, mutually-sustaining framework of free nations which we have set before us as a political ideal can only be built by prosperous countries. In our effort to bring about prosperity, therefore, we shall at the same time be making great contributions to international strength and international peace. Those are not narrow goals. They are worth every bit of effort we can give.

James Anthony Secs. Corp.

James Anthony Securities Corp. has been formed with offices at 37 Wall Street, New York City, to engage in the securities business. Officers are George E. Roberts, President and Treasurer; and Olive Massiello, Vice-President and Secretary. Mr. Roberts was previously with Baruch & Co., Inc.

MEXICO...

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Due to its rapidly expanding economy, Mexico promises to develop into one of the major areas of world trade.

The seasoned personnel, unexcelled service and broad experience of our Foreign Department in all phases of foreign trade are ready to help you become an important part of this market.

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointment of Gustav A. Cull as an Assistant Vice-President of **Manufacturers Trust Company, New York,** is announced on Nov. 20 by Horace C. Flanigan, President.

In 1931 Mr. Cull joined Manufacturers Trust Company and was Manager of the bank's Credit Department from 1934 to 1936. In 1936 he was appointed an Assistant Secretary and transferred to the 774 Broadway (Brooklyn, N. Y.) office where he has served until the persent time.

Ann Henry Fallon was also appointed an Assistant Vice-President on Nov. 25. As a result of her advancement, she now holds the highest rank of any of the bank's 16 women officers.

For the last eight years Mrs. Fallon has been engaged in personnel work, having served as the only woman member of the "President's Committee on Employee Relations" since its inception in 1946. This committee visits all the bank's offices and departments and reports directly to the President on matters relating to working conditions and grievances of employees.

Joining the bank's staff in 1937 as an analysis clerk, Mrs. Fallon for the next six years filled various positions in the bank's branch operations department, and in 1943 was promoted to Platform Assistant at its University Place office. In 1944 she was appointed an Assistant Manager, and in 1945 was transferred to the bank's personnel department at Main Office. In January, 1952 she was appointed an Assistant Secretary.

* * *

Albert Friedlander and Arthur H. Posner have been appointed Assistant Managers of **Chemical Bank & Trust Company, New York,** it was announced by N. Baxter Jackson, Chairman.

Mr. Friedlander is assigned to Chemical's 27th Street at Seventh Avenue Office and Mr. Posner will be located in the 174th Street at Boston Road Office.

* * *

Irving Trust Company, New York, opened on November 23 a branch office in the new 380 Madison Avenue Building at 46th Street and Madison. The new branch, operating on two banking floors with a total of approximately 15,000 square feet of public space, will offer complete banking facilities for businesses and individuals in the Grand Central area. The office will handle the business formerly conducted at Park Avenue and 46th Street.

William B. Plate is the Vice-President in Charge. Other members of the official staff are David M. Proudfoot, Assistant Vice-President; and George J. Adriance, Eugene D. Dixon, James M. Maltbie and Marcel A. Silz, Assistant Secretaries.

* * *

J. D. Zellerbach, President of Crown Zellerbach Corporation, San Francisco, has been elected a Director of the **Canadian Bank of Commerce, New York.**

* * *

The election of Miss Amelia Faiella as a Vice-President of **Clinton Trust Company, New York,** was announced on Nov. 21 by Edward W. Smith, Board Chairman and Chief Executive Officer of the bank. Miss Doris Colclough has been elected an Assistant Vice-President and Ernest Church and Louis Esposito Assistant Secretaries. The elections mark the first time women have been made officers of the bank.

One of the few women bank executives in this city, Miss Faiella has been associated with Clinton Trust for over 15 years, more recently as Secretary to Mr. Smith. In her new capacity, she will be in charge of personnel and Miss Colclough will serve as Assistant Personnel Director.

* * *

The Board of Trustees of **Kings County Trust Company, Brooklyn, N. Y.,** will present for the approval of the stockholders, at their annual meeting on Jan. 18, 1954, a plan for changing the capital stock of the Trust Company from 5,000 shares of $100, par value to 50,000 shares of $40 par value, or a total new capital stock figure of $2,000,000. This will be accomplished by transferring from surplus $1,500,000, leaving that figure at $6,000,000.

Present stockholders will receive 2½ shares in exchange for each share presently held. In addition, it will be recommended that a stock dividend of 300% be declared. The ultimate result of such proposed action will be that each present stockholder will have 10 new shares of $40 par value stock for each share of $100 par stock presently held.

	Figures After Change	Present Figures
Capital, authorized and issued, 50,000 shares	$2,000,000	$500,000
Surplus	6,000,000	7,500,000
Undivided profits (to which will be added net earnings for the last 6 months of 1953	885,000	885,000

There will be no modification of the Trust Company's fundamental policy for the administration of Kings County Trust Company.

* * *

The Citizen's Trust Company of Schenectady, N. Y., received approval on Nov. 16 from the Banking Department of the State of New York to increase its capital stock from $500,000 to $600,000.

* * *

Harold D. Hodgkinson, Chairman of the Board of Directors of the **Federal Reserve Bank of Boston,** anounced the re-election of Lloyd D. Brace, President of The First National Bank of Boston, as a Class A Director, and Harvey P. Hood, President of H. P. Hood & Sons, Inc., as a Class B Director.

The appointments will become effective Jan. 1, 1954, for a period of three years. The Federal Reserve Bank of Boston has three Class A directors (representing banks), and three Class B directors (representing commerce, agriculture, or industry), and three Class C directors, appointed by the Board of Governors in Washington.

* * *

The First National Bank of Warren, Pa., with a common capital stock of $200,000 went into voluntary liquidation effective Oct. 30 and was absorbed by **The Warren National Bank, Warren, Pa.,** at the close of business Oct. 30.

* * *

The First National Bank and Trust Company of Hamilton, Ohio, increased its common capital stock from $1,000,000 to $1,500,000 by a stock dividend effective Nov. 12.

* * *

The common capital stock of **The First National Bank of Ashland, Ohio,** was increased from $225,000 to $450,000 effective Nov. 12, $112,500 of the increase was made by a stock dividend and $112,500 by the sale of new stock.

John E. Corette, of Butte, Mont., was elected a Director of the **Federal Reserve Bank of Minneapolis** and H. N. Thomson, Presho, S. D., was reelected to the board at the annual election, it was announced by Roger B. Shepard, Chairman. They will serve three-year terms beginning Jan. 1, 1954.

Mr. Corette, was elected a class B director representing commerce, industry, and agriculture. At present Chairman of the Board of the bank's Helena branch, Mr. Corette will succeed W. A. Denecke, of Bozeman, Mont., on the head office board.

Mr. Thomson was reelected a class A director, or banker member, to serve his second term. He is Vice-President of Farmers and Merchants Bank, Presho, S. D., and is a past President of the South Dakota Bankers Association.

* * *

In the election of directors of the **Federal Reserve Bank of St. Louis,** William A. McDonnell, President, First National Bank of in St. Louis, St. Louis, Mo., was re-elected by member banks in Group I as a Class A director, and Louis Ruthenburg, Chairman of Board, Servel, Inc., Evansville, Ind., was re-elected by member banks in Group III as a Class B director, according to announcement of Russell L. Dearmont, Chairman of the Board.

Each was chosen for a term of three year beginning Jan. 1, 1954.

The Federal Reserve Bank has nine directors; three, designated Class C, are appointed by the Board of Governors in Washington, and six, Classes A and B, are chosen by the member banks. The Class A directors represent banking, and the Class B directors, commerce, agriculture, or some other industrial pursuit.

* * *

Walter L. Dressler, 55, Assistant Vice-President of **First National Bank in St. Louis,** died Nov. 18 of heart disease at St. Anthony's Hospital in St. Louis.

Mr. Dressler began his banking career as a clerk with the old Mechanics American Bank in 1916. He joined the staff of First National in 1919 when Mechanics American was merged with two other banks to form First National Bank in St. Louis. He became purchasing agent of First National in 1928 and was elected Assistant cashier in 1947. He was named Assistant Vice-President last June.

C. M. Rosenthal Opens

Charles M. Rosenthal is engaging in a securities business from offices at 330 East 71st Street. He was formerly with Carl M. Loeb, Rhoades & Co., Batkin & Co., Peter W. Spiess Co. and Miller Securities Co.

With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John W. Clem and Robert R. Nolan have become associated with Sutro & Co., Van Nuys Building. Mr. Clem was formerly with Dempsey-Tegeler & Co. Mr. Nolan was with Marache Dofflemyre & Co.

Calif. Fund Opens

LOS ANGELES, Calif. — California Fund Management Co. is engaging in a securities business from offices at 606 South Hill Street. Officers are W. M. Hawkins, President; J. L. Kerr, Vice-President, and K. R. Cutler, Secretary and Treasurer. Mr. Cutler was previously with William R. Staats & Co. and Dempsey-Tegeler & Co.

Joins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Thomas T. DeVere has become affiliated with Hannaford & Talbot, 519 California Street.

Predicts Easing of Double Taxation and Faster Depreciation Formula

Congressman Richard M. Simpson (R.-Penn.), member of House Ways and Means Committee, says "some little relief" will probably be provided in forthcoming Federal tax law. Also forecasts easing of depreciation regulations so companies can depreciate new equipment at rate of 20% for first year and 20% of the undepreciated balance in each of next four years.

Speaking at the Annual Finance Conference of the American Management Association in New York City on Nov. 18, Congressman Richard M. Simpson (R., Penn.), a member of the House Ways and Means Committee, gave assurance that Congress would consider some easing of the double taxation of dividends at the coming session, but stated that there is "no hope" of eliminating such double taxation altogether, because this would cause a serious loss of revenue to the Treasury. However, he reported it has been suggested that the individual taxpayer be allowed to deduct from his personal income tax liability either up to $200, or 5 to 10% of the dividends he receives.

Richard M. Simpson

Mr. Simpson also forecasts a change in depreciation regulations. Under the new tax law, he said, companies will be able to depreciate new equipment at the rate of 20% for the first year and 20% of the undepreciated balance in each of the next four years. This would permit write-off of 66⅔% in the first five years.

"A great effort" will be made, Mr. Simpson promised, "to reduce individual excise taxes to a maximum of about 10%." There also is agitation, he reported, to "broaden the base" of excise taxation, but he said he doubted it could be done in the next session of Congress.

Mr. Simpson offered as his "guess" that the over-all corporate normal tax rate will be about 47%. In his opinion, he said, 50% should be the maximum rate for any tax, personal or corporate.

Other tax provisions on which the Ways and Means Committee has taken "tentative action," Mr. Simpson reported, include dependency credits, filing of estimated income, and the undistributed surplus provision, capital gains, and social security. The dependency credit section will probably be changed so that a parent can claim exemption for a dependent up to the age of perhaps 22, even though the dependent earns more than $600 a year, if the parent provides more than half his support, and if the child is attending school or college. More discretion probably will be permitted as to the time of filing income estimates, and about a million persons who now file such estimates will no longer be required to do so.

Section 102, the undistributed surplus provision, "probably will say in" in the law, but the burden of proof as to whether the surplus is being withheld improperly may be put on the government. The capital gains tax may be reduced, since "there is evidence it is acting as a deterrent to business expansion." Probable changes in the Social Security law include "additional advantages" and a higher rate.

Since most the tax changes being discussed involve reductions, "you may well ask," Mr. Simpson pointed out, "where we are going to get the money to balance the budget." The answer, he said, depends on how strongly the Treasury and Congress feel about a balanced budget. "If we insist on a balanced budget, we are in trouble. However, I don't think we will."

If the tax revision bill now being prepared is passed, he said, the internal revenue code at least will be greatly simplified and many of its inequities will be eliminated.

Typical—and Depressing!

"New York State's billion-dollar milk industry, second largest in the nation, is beset by problems affecting consumers and farmers alike. Aroused by public clamor, investigators of Federal, state and local governments have started down the milk trail from cow to table.

"Consumers in the metropolitan area, paying the highest price in history for their milk, believe a reduction is in order.

"Dairy farmers in the New York milkshed, enmeshed in their worst financial difficulties in more than a decade, feel they should receive more for their milk.

"In this city milk companies, traditional targets of criticism, protest that if they cut the retail price or raise the amount paid to the farmer they will be operating in the red.

"From subpoenaed records and testimony at public and private hearings, officials are trying to find the answers to disturbing questions provoked by last month's milk strike and the ensuing 1-cent increase in the retail price."—Murray Schumach, in the New York "Times."

This particular situation is, of course, local, but it is typical — typical not only of milk problems throughout the country, but of countless others where politicians or just plain "Mr. Fixits" have undertaken to supplant natural forces.

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THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks this week proved mostly that they can fluctuate with the bulk of the list still holding in a trading range while year-end dividends gave the impetus to individual items to either celebrate or lag in disgust. Few issues could do anything noteworthy on declaration of only the same year-end payments, majority sentiment quite obviously expecting better treatment this year.

* * *

Extras Prove to Be Duds

The usual year-end payments kindled little in the way of market action for issues like Cities Service and American Locomotive. In other cases, such as Calumet & Hecla, the addition of a year-end extra drew only skepticism, or perhaps merely countered the chagrin over the inability of directors to see their way clear to increase the regular payments.

* * *

There was little dismaying in the overall market action, chiefly because little had been expected of the market in another holiday-shortened week. The majority opinion is that it is still too early for even the preliminary rumblings of the traditional year-end rally and the technicians hold that a better base has yet to be built for this customary fillip.

* * *

As far as group action was concerned, the sickness in the tobacco shares, which carried a couple of them to new lows again; the continued weakness in the automotives and notably Chrysler, and some other soft spots throughout the list belie the relatively high standing of the averages.

* * *

New Lows Pile Up

Textiles and carpets continue to seek lower territory, Textron, Alex Smith, J. P. Stevens, Lees & Sons, Mohawk and Bigelow-Sanford all among those under enough pressure to lower their poorest prices of the year this week. More of a surprise was the rather sizable number of rails that reached new lows in the trading before the holiday, Central of Georgia, St. Paul, Pennsylvania, Colorado & Southern and Northwestern among the dour group. Norfolk & Western, at the investment end of the carrier list, largely because of little or no market following for some time now, ignored all the favorable implications of good earnings and slumped along with the rest.

National Lead, anticipating both its year-end extra dividend and its better-than-average growth over the years, along with the help afforded by acquiring Doehler-Jarvis earlier this year, featured recent trading. It is something of a rarity in that the current appraisal of the stock is vastly above anything seen in the far greater speculative urge of 1946. The stock that reached a peak of slightly above 40 in 1946, then was split 3-for-1 in 1951, pushed to more than 38. At this historic high, it was even better than the equivalent price to which the issue ran up on the news of the split. The romance metal—titanium—is part of the company's story. Earnings are also responsible although it is a minority in that earnings are reflected in the market price while the list is studded with issues that have persistently ignored comparable good statistics.

* * *

Aircrafts Comforting

The aircrafts far more than any other major group have been a comfort to their holders this year, which points up another oddity since these prime war babies have been accorded little respect in any other period when there were no shooting wars around. The lesson apparent after World War II that until something is done with the Russian problem, no nation can afford to let down its air defenses seems finally to have become a solid prop. Another facet that has helped the market action of these issues is that with high production rates for all of next year fairly assured for the prime plane makers, an end to the Excess Profits Tax could be of material benefit. Douglas Aircraft was a leader in its division, the week-end announcement that one of its planes had exceeded twice the speed of sound perking up interest in the stock considerably.

* * *

Movie issues pretty well dominated the activity and put on a fair show of strength. While the fanfare over 3-D and wide-screen techniques has lifted them considerably from their poorest level, it is still nothing to compare with the favor shown for this type of investment when the theatres were jammed during wartime. A considerable amount of doubt over the value of the new techniques exists and their uphill fight is anything but an easy one, particularly since there seems to be a widespread disposition to wait on the statistical evidence that they have found a solution to their problems.

* * *

Steels, like the aircrafts, gave a good account of themselves but more on the side of demonstrating good stability than achieving any important gains. Again like the aircrafts, this group has shrugged off some of the traditional habit of being the prime cyclical group of the stock market.

* * *

Electricals and Chemicals Strong

Except by the shorts, there could be little argument with the action of the larger electrical equipment companies, General Electric's three-point one-day outburst to a new high in particular. It only outpaced by a slim margin Westinghouse's breakout into new high territory on the same day with a two-point improvement. Chemicals, too, did well but instead of intemperate action, they were more sedate and forged ahead quietly.

Telephone was in a class all by itself, again a case of quiet but thoroughly satisfying progress. Tradition has been defied here, too. On each of the handful of debenture financings since the War, Telephoneuntil now has always run into a bit of temporary pressure over them. It ran through this financing virtually unscathed. That the money market conditions were such that the debentures featured in strength helped the stock, naturally.

* * *

In a more modest way the rubbers had little to apologize about. It was somewhat negative in that the chief feature was their refusal to share in the pessimism that hurt the automakers, giant and independent alike, and gave plenty of trouble to the auto supply firms. They swayed with the market but on an overall basis held their ground in good order.

* * *

On the technical side, industrials generally showed sterling action in holding the correction from the October highs to so mild a one. Rails are still a strong drag on the market and the optimism, however. It is also considered encouraging that the delay in breaking out of a trading range has been so protracted, leading to hopes—particularly with the help of the year-end rally — that the signal, when it comes, will be on the side of strength.

[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.]

A Bull Market Viewpoint

By BRADBURY K. THURLOW

Partner, Talmage & Co., Members of New York Stock Exchange

Market analyst bases conclusion that September marks end of stock market declines on: (1) some stocks have since recovered to new highs; (2) "false bottoms" made by others existed only a few days; (3) odd-lot buying has been consistently larger than odd-lot selling; and (4) the short interest has been increasing. Sees recent rally due to recognition that a "new" political and economic climate has become definitely established

The abrupt decline which took place in stock prices from mid-August to mid-September, and the equally abrupt recovery which has followed, bear a remarkable resemblance, both in extent and character, to the climactic movement which ended the three-year bear market in June, 1949. For the vast majority of stocks the recent bear market had been in force since January, 1951, and virtually the entire decline, like that of 1946-49, resulted from investors' fears of what was going to happen to business after non-recurring stimuli were removed from the economy. In only comparatively few instances were stock prices lower because of some actual deterioration in company operations.

B. K. Thurlow

From sound technical reasoning one can draw convincing arguments that September marked the end of the decline: (1) Some stocks have since recovered to new highs; (2) a number of others made "false" bottoms at prices which only existed for a few days (e.g., Inspiration Copper made its bottom at 18⅝, four points under levels which prevailed two weeks earlier and later); (3) odd-lot selling has been consistently larger than odd-lot buying on the rally; (4) short interest has jumped 25% since Sept. 15, is now equal to almost two days' average volume, and is now at its highest level in a year and nine months. Additional technical arguments of this kind can be produced if desired.

In our opinion, the reversal of September and the subsequent rise was occasioned by the recognition on the part of astute investors that a new political and economic climate had become definitely established. Sound money, balanced budgets, and "return to normalcy" were definitely abandoned. But more important than this, the political pendulum had completed its brief swing toward the right and we were off again down the well-loved road of permanent prosperity.

Those who deny that business can be supported by artificial means—at least until 1956, when the economists tell us the consuming population will take a big jump—are in a majority of instances being hamstrung by a political orthodoxy embracing a theory of government and economics which has not been valid since the early 1930s. When government leaders, from the President down, state that the full resources of the nation will be devoted to seeing that a major depression "shall never again happen in America" it seems to us perfectly obvious that they have something specific in mind and that the burden of proof lies squarely on those who still believe in the existence of the *"laissez-faire* era" business cycle.

Even if the government should ultimately prove unable, through applied socialism, to stave off collapse, it is inconceivable that its power will not be felt strongly at the outset. Furthermore, 1954 is an election year.

Net let us look at some representative stocks. The President of Chrysler says 5,000,000 cars will be made next year. His company's stock (with no debt or preferred ahead of it) sells to yield 9½%. Steelmen say that their industry (i.e., until the CIO strikes for its guaranteed annual wage) should not operate much under 80% of capacity, at which level earnings should be about the same as 1953. Youngstown Sheet, in our opinion the most attractive of the steel stocks and one of the most conservative, sells to yield close to 10%. Inspiration Copper, which should be able to earn $3.50 a share next year on 24-cent copper, is selling to yield 12½% on an estimated $3 dividend.

How low in price should these high-yielding, statistically-sound equities of basic, well-managed, inflation-hedged companies sell to discount something which may not happen for several years, when popular "blue chips" are selling to yield 4%?

Paul Denckla V.-P. Of Stone & Webster

Stone & Webster Securities Corporation announce the election of Paul Denckla as a Vice-President. Mr. Denckla has been with the Stone & Webster organization, largely in sales and administrative capacities, since 1918, except for four years from 1942 to 1946 when he served as Major in the U. S. Air Corps. Following the war he resumed change of the corporation's Philadelphia office as Assistant Vice-President, a title which he had previously held since 1935. Mr. Denckla will continue in the Philadelphia office, Packard Building, which he helped to establish in 1928.

Paul Denckla

NASD District 11 Elects to Committee

WASHINGTON, D. C. — The members of District No. 11 of the National Association of Securities Dealers, Inc., embracing the District of Columbia, Maryland, North Carolina, Virginia and West Virginia, have elected the following to serve on the District Committee for a three-year term commencing next Jan. 16:

William W. Mackall, Mackall & Coe, Washington, D. C., and Arthur L. Baney, E. R. Jones & Company, Baltimore, Md.

They succeed Charles P. Lukens, Jr., Robinson & Lukens, Washington, D. C., and George G. Shriver, George G. Shriver & Co., Inc., Baltimore, Md.

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Steps in an Improved Foreign Trade Program

By JUAN T. TRIPPE*
President, Pan American World Airways, Inc.

Mr. Trippe recites U. S. progress in development of foreign trade, along with the efforts now undertaken by the present Administration to remove roadblocks shackling trade between free nations of world. Says, today, our national security is dependent on foreign trade with our military allies. Warns our present volume of foreign trade "has shaky foundations." Says abolition of tariffs is not answer to problem, and asserts "we cannot become dependent upon other nations for critically important military items." Poses a series of questions on proposed foreign trade policy.

Today, we are the great creditor nation of the world. With but 7% of the world's population, we are producing half of the world's goods. Today, ships flying the American flag provide frequent regular service from U. S. ports on the essential trade routes of the world. American flag airlines as well connect the U. S. with every important overseas city in the free world. Today, our great American banks have established hundreds of branches throughout the free world—ready, willing and able adequately to serve the American foreign trader. Today, 2,000,000 Americans earn their living in industry, transportation or trade in the export field. In addition, the output of 1,000,000 American workers in agriculture is sold abroad.

J. T. Trippe

Today, our foreign trade exceeds $30 billion—a six fold increase in 40 years. Our private investments abroad approximate $21 billion.

Yes, in 40 years we have made some progress in spite of two global wars, the Korean conflict, and the devastating cold war in which the free world is now engaged. How was this progress achieved?

Under successive reciprocal trade agreements, the high customs duties of the 1930 Tariff Act were reduced by 60%, leaving the United States today with an average rate of only 5% on its entire imports. 55% of our imports come in duty free and the average tariff on goods, still subject to duty, is only 13%.

Our customs laws were also amended some years ago, to increase the amount of goods returning travellers could bring back "duty free" from $100 to $500. As a result, last year American tourists spent over a billion dollars abroad for pleasure, for education and on personal purchases—a very real contribution to our export trade by narrowing the dollar gap.

Tax incentives to encourage private investment in China, before the Communists took over, and in Latin America were accorded in the China Trade and Western Hemisphere Trading Corporation Acts. Reciprocal tax treaties have also been concluded with many countries — eliminating double taxation for individual Americans employed abroad — subjecting them only to local taxes and exempting their salary from American taxation.

President Eisenhower, last August, signed the Customs Simplification Act to do away with many of the archaic, cumbersome and dilatory rules and regulations governing customs entries.

And last August also, the Reciprocal Trade Agreements Act was extended, but again only for a temporary period, until next June.

Has U. S. Discharged Its Duties?

Has our government fully discharged its responsibility as leader of the free world? Have we given our political and military allies fair and stable access to our own markets to earn the dollars they need to buy our goods? Is our trade with them sound, and sufficient to strengthen their own economy, to make them strong enough to defend themselves and to fight the insidious inroads of creeping Communism? Has America—now the great creditor nation—invested abroad sufficient private capital, production genius and industrial know-how in this critical period?

In self-defense, we can point out that the gold and dollar balances of other friendly nations have increased last year by over $2 billion. We can point out that our present tariffs on the average are lower than most other friendly nations. Our rate of 5% compares with 13% on total imports for the 15 Western European countries. We can point out that multi-lateral trade in Western Europe is still badly hampered by man made barriers—that destructive inflation has been allowed to run riot in many countries. But two wrongs don't make a right. Today, the United States is leader of the free world. The free world is looking to us for leadership and is eagerly awaiting what our future trade policy will be.

Moreover, for the United States a sound expansion of international trade is no longer desirable merely to improve our own economy and the living standards of the average American which would follow any increase in our foreign trade. Today, our military defense — our own national security—is dependent on increased foreign trade with our military allies.

We are asking Japan, for instance, not to trade with Soviet Russia and her satellites behind the Iron Curtain. Unless we give Japan and our other friends abroad practical means to increase trade with us and with each other, which hold out to them an assurance of gradual higher living standards, we inevitably will lose them to the Soviet economic bloc.

Our decision, therefore, in respect to our future foreign trade policy could largely determine whether the Soviets are to be successful in their objective to economically divide the free world.

No Military Security in Isolationism

We are all agreed, as a result of two world wars and today's stark threat of militant Communism, we no longer have military security in isolationism. If Soviet Russia should overrun all of Europe and all of Asia, we would be in mortal peril. That is why we created the North Atlantic Pact. That is why we have American divisions in Germany and Korea. We now know that strong dependable allies in Europe and in Asia are essential to our own security.

But many Americans are still isolationists in our economic thinking as it affects our national security. Matched against our military and political needs much of our past world trade policy makes little sense. It contradicts and undermines our military strategy and our political goals.

As Al Smith used to say, "Let us look at the record." Twenty-five years ago, our imports amounted to 5% of the annual value of our national income—the goods and services produced by the American people. Today, with the rest of the free world in need of dollars to buy our goods and products, our imports are but 3%. A generation ago, when Great Britain was the world's great creditor nation, her businessmen invested abroad each year some 2½% of her national income. Today, we Americans invest abroad but ⅓ of 1%.

Our Shaky Foreign Trade

Moreover, every foreign trader in this great audience knows that even our present volume of foreign trade has shaky foundations—a house built upon the sand. We know that Congress, in the last seven years, has had to give away to our friends and allies abroad some $35,000,000,000 to purchase the food, goods and military items we have sold them. Fifteen percent of our tremendous tax burden has been utilized to provide these gifts. We know this cannot long continue without risk to our economy, and there also is dissatisfaction abroad. Self-respecting people do not like to rely indefinitely on outright charity for economic aid or military equipment.

What is the answer? What shall be our new foreign economic policy? Some, in this emergency, are suggesting removing our tariff barrier altogether. The leader of one of our great labor organizations has estimated that but 300,000 wage earners, less than 1% of Americans now gainfully employed, would be temporarily displaced during the next three to five years, if during that period, all U. S. trade barriers and restrictions were removed.

Personally, I doubt this is the solution. Any such approach would jeopardize our own economy—including many of our industries necessary to national defense. We cannot become dependent upon other nations for critically important military items.

Can we not better attack the problem gradually and on a number of fronts? Could we not provide the tariff stability and continuity needed by businessmen abroad to fairly compete in the American market, were the Reciprocal Trade Agreements Act extended by legislation for two years — with a mandate to the Tariff Commission to review, in the interim, all present tariff schedules. Public hearings for all interested parties would be accorded. Inequities in the present tariff would be corrected. The new tariff schedules as determined would become effective within the two-year period — unless disapproved by Congress. Businessmen abroad could under this program, anticipate fair competitive access to the American market—on a stable forward basis. The perennial threat that the Reciprocal Trade Agreements Act might not be renewed — thereby reinstating our old Hawley-Smoot tariffs — would be eliminated.

The lack of stability in the American market has been a greater road block to foreign businessmen than our tariff walls. The foreign businessman, in effect, has been on notice that any success he might have in the U. S. market was precarious. His efforts, if successful, could well be his walking papers home.

Should not burdensome frontier formalities, at home and throughout the free world, also be further simplified? Should not the present duty exemption granted to returning American travellers be increased from $500 to $1,000? Should not the great shipping companies and international airlines be encouraged to provide additional tourist class accommodations at modest cost? Tourist travel contributed over a billion dollars last year to our friends and allies abroad. All would gain, if this were increased to two billion dollars in 1955.

Should not the Buy America Act be repealed? Why should not American taxes be reduced by permitting the Federal Government the same freedom in purchasing as now enjoyed by the American businessmen?

The Customs Simplication Act was a step forward in streamlining our Customs procedure. Why should not the important evaluation and currency conversion provisions be also enacted, as contemplated in the Jenkins Bill, which passed the House, but not the Senate, at the close of the last session?

U. S. Investments Abroad

Last, but not least, to encourage private investment abroad, should we not amend our tax laws to permit the President to conclude reciprocal treaties with other nations, exempting income earned abroad from domestic taxes. Capital invested abroad is, at risk, abroad. It pays all local taxes. American companies now have to compete with others paying only local and not U. S. taxes as well.

Such treaties could well include commitments covering equality of treatment with local investors, the availability of foreign exchange to cover dividend and amortization payments, as well as prompt, adequate and effective compensation, in event of expropriation. Moreover, compared to foreign aid, this could be accomplished at reasonable cost to the Treasury.

Other proposals to stimulate investment abroad by American companies should also be considered, such as broadening the Western Hemisphere Trading Company Act to cover the Eastern Hemisphere as well. Related corporate investments in Asia, Africa and Western Europe would then pay U. S. income taxes only at 37%—the reduced rate now applicable, as a tax incentive, to such investments in Latin America.

Another effective approach to the problem would permit American companies operating abroad, including those operating through branches or divisions, accelerated depreciation in computing U. S. taxes on their new plant investments overseas. This has already been done at home to stimulate new construction for national defense.

Were American industry to invest overesas but 1% of our national income, less than one-half of what the British did when they were the world's creditor nation, some two billion dollars a year in new private capital would be put to work abroad; and much of it would flow to the less developed countries where the Communist threat is greatest. Ultimately, of course, we must be prepared to accept more imports to pay a return on such new investments.

Africa, Asia and Latin America never built up adequate supplies of local capital to meet their needs. Europe, impoverished by two global wars in a single generation, cannot do the job. The responsibility is ours. More private American capital; expanded local production; better wages; a higher standard of living; and, ultimately, more local stockholders—in other words, a transfusion of our "private enterprise system" to other free nations.

This would not all happen tomorrow—but could, in time—and thereby become a valuable contribution to our new foreign trade policy.

Fortunately for us Americans, and for the whole free world, President Eisenhower appreciates and understands the vital relationship between our national security and a sound foreign trade policy.

In London, two years ago, he said "Progress is hobbled by a web of Customs barriers interlaced with international agreements, multi-lateral cartels, local shortages and economic monstrosities. How tragic! Free men facing the spectre of political bondage are crippled by artificial bonds, that they themselves have forged and they alone can loosen. Here is a task to confront the wisest statesman, the best economist."

And then, last summer, following words with action, as you all know—President Eisenhower recommended, and Congress approved, the appointment of the Randall Commission on Foreign Economic Policy. Addressing the 17-member Commission, which includes five leaders in the Senate, as well as five leaders in the House, the President said: "No group of citizens has been called to a higher mission than the one on which you are setting forth today."

You delegates to this National Foreign Trade Convention represent every section of our country and every important industry engaged in American Foreign Trade. Over the years, you have acquired the experience, the knowledge and the ability to conduct most of America's trade with the rest of the free world.

In your deliberations, during the next three days, you will consider what steps should be taken by our government—in formulating a sound foreign economic policy. Your advice and suggestions will have great weight with the Randall Commission and, therefore, I am sure, will play an important part in the final decision.

*An address by Mr. Trippe at the First General Session of the 40th National Foreign Trade Convention, New York City, Nov. 16, 1953.

Albert Kogler Partner In Hooker & Fay

SAN FRANCISCO, Calif. — On Dec. 1, Albert E. Kogler will become a partner in Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchange. Mr. Kogler is a partner in Davies & Co.

With Field, Richards

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Charles E. Jones has become associated with Field, Richards & Co., Union Commerce Building. He was formerly with the First Cleveland Corporation, Union Securities Corporation, and Ball, Burge & Kraus.

C. H. Kirkpatrick With McCourtney-Breckenridge

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Curry H. Kirkpatrick has been added to the staff of McCourtney-Breckenridge & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

Joins City Nat'l Bank

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Harold Raymond Hollister has become associated with the City National Bank & Trust Company, 10th & Grand Avenue. He was formerly with the First National Bank of Portland, Ore.

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More Initiative for Industry in Atomic Energy Development

By DR. CHARLES ALLEN THOMAS*
President, Monsanto Chemical Co.

A leading chemical executive, urging private industry take the initiative in developing peaceful uses of atomic energy, warns, unless this is done, the field might be lost to other countries. Points out it would be tragic for U. S. to be leading in military atomic energy, and lose initiative on peaceful side. Advises petroleum industry to investigate possibilities for atomic energy uses in petroleum refining and in development of new products. Calls for amendment to Atomic Energy Act of 1946 to encourage cooperation of private enterprise and government in greater use of atomic energy.

For more than 10 years we have been living in the Atomic Age. It began with a basic discovery in nuclear physics and then was almost immediately blanketed under an urgent military program with tight and absolute government control. Under the circumstances, we had no choice but to start out this way, for we and our allies were in a mortal fight for survival. We got the atomic weapons that we needed, and we got them fast. They helped win the war decisively. But now we are beginning to see that we may have something else as well. We have also built a different kind of weapon—one which could be used to socialize a segment of our industry.

Charles A. Thomas

From this standpoint it was unfortunate that we had to start the Atomic Age under secrecy and government monopoly. The lives of people everywhere will be influenced by this great discovery. The question is then—by 1975, will this new science bring more freedom, more industry, more profits to individuals and to industry, or will it do just the reverse and give more power to the state, which brings with it more controls, more regimentation, more loss of individual freedom? Now is the time to answer this question, for the framework of the future is being fabricated at the present moment. Let us hope that industry and all thinking people will not fail to answer the question—by default.

When the news of the atomic bomb broke — after Hiroshima — people throughout the world began to wonder whether something useful could be accomplished with this new force—something other than obliterating cities. When the Atomic Energy Act was written in 1946, this hope was written into law. In the Declaration of Policy in Section 1 of that law, it states that "subject at all times to the paramount objective of assuring the common defense and security, the development and utilization of atomic energy shall, so far as practicable, be directed toward improving the public welfare, increasing the standard of living, strengthening free competition in private enterprise, and promoting world peace."

These are fine words. This Declaration is a great tribute to the vision and to the wisdom of the Congress. But so far, they are just words. Little has been done about it. Postwar events have required that emphasis continue to be upon military applications. As a result, further spectacular progress on the military side has been made, but the useful and beneficial development of atomic energy still lies ahead. It is time we get started. In fact, it may be past time. The United States has taken the lead on military development. Now we must also take the lead with equal vigor on the peaceful side. Unless we do this, there is a danger that — by default — we will lose this leadership to other countries.

As yet, we don't know what all of the peaceful applications are to be, but one atomic electric power plant is already being built in England, and a second is planned. Incidentally, all are owned and operated by the state. We know that many other countries have nuclear reactor programs under way. We don't know just what Russia is doing, but there is plenty of evidence that her atomic energy technology has advanced far more rapidly than people in this country thought possible. It would be nothing short of tragic for the United States to be a leader in military atomic energy and then lose the initiative on the peaceful side to another part of the world.

Responsibility of Private Enterprise

The purpose of my talk, therefore, is to suggest that the responsibility lies not only with our government but with private industry. It is not enough for us to say, "Well, we'll wait until government opens this thing up, and then we'll take a look." Instead, it is up to us to take the initiative.

In order that people everywhere can begin to benefit, atomic energy must be advanced to the point where it can be used perhaps to improve the refining of petroleum, or in the manufacture of such things as plastics, or as another source of energy for electric and propulsive power. These are jobs for private industry — using its own research and engineering teams—and using its own capital. To leave all of this up to government alone might well mean that they would not be accomplished at all, for after all, the government's main responsibility in the atomic field is making weapons. And from a military standpoint, we need the mutual support that private development and military application can give to one another.

May I suggest that our atomic program needs a symbiotic relationship—like we sometimes find in nature. I am sure you are all acquainted with that hardy plant which grows in so many different parts of the world called the lichen. It will frequently grow where no other plant can survive, and it is not one plant but two. A lichen is made up of fungus and algae, entangled together. The fungus gives the lichen its shape, holds it to the tree or rock, absorbs the water from the air, and keeps the lichen moist. On the other hand, the algae contains chlorophyll which, through photosynthesis, provides food for both itself and the fungus with which it lives. This is true partnership. Neither is a mere parasite that returns nothing for its keep. This is the sort of symbiosis we must build in the atomic energy field.

To support the military requirements for atomic bombs and atomic fissionable material requires billions of dollars from our taxpayers annually. If, on the other hand, we could develop an atomic energy industry which would produce a comparable national income, we would then have a truly symbiotic relationship. Our enemies would have less hope of seeing us spend ourselves into bankruptcy if the peaceful applications were simultaneously producing wealth.

Atomic Energy Act Should Be Amended

To bring this about, certain changes in the Atomic Energy Act of 1946 are needed. The Atomic Energy Commission itself recognizes the need and is planning to propose some specific amendments by the first of the year. Writing amendments to this Act will not be easy because what we need is a law which is as well adapted to this new symbiotic phase — involving both government and industry—as the old law has been for the government-only phase.

The Congressional hearings last summer helped to get some thinking started on this problem, but so much time was spent on details that too little attention was given to the real core of the problem of how to bring about this partnership between government and industry. Too many words were wasted on the subject of patents—and on how to make sure that we will not build an industrial monopoly. It was strange to hear this fear of nurturing an industrial giant when the child was not yet born. This old bugaboo has resulted in people worrying about a giveaway of what is past—instead of how to build a strong future.

The utility industry should be involved, but so should the chemical industry, the transportation industry, and certainly the oil industry, and others. If we can establish a national policy which will stimulate our industrial might to apply this new science, then we will be making real progress. If instead we keep all of this in a government monopoly, then we will simply be emulating the Russian way of doing things, and we will probably lose trying to play their gave. They are accustomed to government monopoly, but we have a better way. We have developed a pattern of industrial initiative which has no peer in opening up new fields, and this is a game at which we can win.

To be sure, as in the past, it is not too attractive for industry to work with government. The restrictions make business tend to shy away from atomic energy. Everytime you touch this field under government control, you get into some kind of argument having to do with contractual problems, patent rights, or with pricing and bookkeeping problems, or with the question of subsidy.

But in spite of all of these difficulties, there ought to be a real opportunity for industrial profits —and besides, it is our patriotic duty to get into it—yours in the oil industry—ours in the chemical industry—and many others. It is our responsibility to work with the government in getting the best law we can, and it would be most refreshing to have the opinion of the oil industry on what legislation is needed. If Fulton had been faced with the restrictions which we face today, he would probably not have been able to discover the steam engine. But times have changed—it is up to us to take the initiative anyway.

Atomic Energy and the Oil Industry

But now you may say, "What is this big future for atomic energy, and what does it have to do with oil?" Well, let's look at what we have. With a nuclear reactor you can get, first large amounts of heat at as high a temperature as your materials will stand, and, second, you can get radiation in such large doses that the little we were formerly able to get from radium and from x-ray tubes has become completely insignificant. It may turn out that either one or both of these new things can be useful in the improvement of petroleum refining, or even perhaps in the development of totally new petroleum products. This is not unreasonable because we know that radiation as well as heat affects chemical reactions. Consider, as a minor example, the improved characteristics of certain polymers after exposure to certain kinds of radiation. Polyethylene, following exposure to electron beams, can then withstand steam sterilization that would otherwise make it melt. This is but a straw in the wind, but it certainly suggests that there is something here to study.

Another example of a field which needs to be examined is the use of radiation within the cylinders of internal combustion engines. There is a possibility that the efficiency of burning can be improved. It might turn out that the weight of a diesel engine could be reduced if the presence of radiation within the cylinders resulted in a lower surge pressure at the instant of ignition.

Still another problem which perhaps your research workers should look at is whether or not gasoline can be made from natural gas — simply by using ionizing radiation at the proper temperatures and pressures.

You are all familiar with the use of special radioactive materials — called radioisotopes — for many different purposes. One of the best known industrial examples, I believe, is in your pipelines where some indicator is needed to follow the flow of oil. As I understand it, the same pipeline is frequently used to transport a wide variety of crude or refined oils, and the location of the interface between the two oils must be known in order to know just when to open and shut the valves without mixing the oils. With a small amount of radioactive material injected just at this interface, it is possible with Geiger counters to detect the radiation which is given off and to know precisely when the interface passes any given point.

Another interesting example is the use of radioisotopes in oil well acidizing. I understand that in the past it has been quite difficult to determine just when the acid stands at the proper level in the well to treat a particular oil-bearing stratum. With a small amount of radioactive material placed in the acid and with a Geiger counter at a desired level, this problem is easily solved.

But the real plum is atomic electric power — the subject of much speculation and discussion. The problems at present are in economics and engineering. When they are solved, we will have another source of fuel to help meet our expanding needs. Uranium and thorium may be expected to supplement—not replace —the fossil fuels and the hydropower which we are already using. These problems need the attention of your capable engineers, your physicists, your chemists, and production men. Instead of talking about the rosy future which has too often been depicted by too many armchair scientists, we need the practical-minded attention of the people in your laboratories. The results will then undoubtedly be quite different from many of the predictions we hear today.

The announcement here in Chicago two or three weeks ago by one of the members of the Atomic Energy Commission regarding a government-owned atomic power plant shows that the Commission recognizes the need for getting started in this field, but this project alone will not bring commercial atomic power. In addition, participation is needed by people who expect to risk money—and to make it. In competition with one another, they will get the costs down to mills instead of cents per kilowatt hour—because industry has an incentive for getting the costs down which the government can never have.

Your industry is accustomed to speculation. You spend hundreds of millions of dollars on dry holes and on wild-catting — may I humbly suggest that some of this spectacular daring be directed into this new field. By taking a hand in shaping the framework of the future in atomic energy, American industry can help to avoid the danger of losing our leadership in the field—by default. The possibility remains that atomic energy can yet turn out to be one of the greatest forces for peace in the history of mankind—first, through providing the force to resist aggression — and second, to help realize the hopes of people everywhere for a better life.

*A paper by Dr. Thomas delivered before the 33rd Annual Meeting of the American Petroleum Institute, Chicago, Ill., Nov. 9, 1953.

Central Ill. El. & Gas Common Stk. Offered

The Central Illinois Electric & Gas Co. is offering to its stockholders 70,400 additional shares of $15 par value common stock at the rate of one new share for each 10 shares held of record Nov. 19, 1953. The stock is priced at $24.50 per share, and stockholders have the privilege of subscribing, by allotment and at the same price, for any shares not purchased through the exercise of rights.

Stone & Webster Securities Corp. and Allen Co. will jointly act as dealer managers and will form a group of securities dealers to solicit subscriptions.

Rights, in the form of transferable warrants will expire at 2:30 p.m. (CST) on Dec. 8, 1953.

The net proceeds from the sale of the common stock, together with proceeds of a sale of 15,000 shares of a new series of cumulative preferred stock ($100 par value) to be offered after the sale of the common stock, will be used to finance in part the company's construction program. Major item in this program is the addition of a 30,000 kw. generator to its Sabrooke Station in the Rockford, Ill. area.

Central Illinois Electric & Gas Co. supplies electricity, gas, steam heat and water to areas covering about 1,815 square miles in Illinois with an estimated population of 228,000.

For the 12 months ended Sept. 30, 1953, operating revenues of the company were $15,510,174 and net earnings were $1,895,017, equal after preferred dividends to $2.29 per common share.

Reynolds to Admit Davies and Rice

SAN FRANCISCO, Calif. — James M. Davies and William B. Rice on Dec. 1, will be admitted to partnership in Reynolds & Co., members of the New York Stock Exchange. They will make their headquarters in San Francisco. Both are partners in Davies & Co., which will be dissolved as of Nov. 30.

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Freer Trade and Freer Currencies

By SIR ROGER MAKINS, K.C.B., K.C.M.G.*
Ambassador of Great Britain to the United States

British diplomat reviews progress toward freer trade and freer currencies in Europe since end of the war. Extols Marshall Plan, which he says has succeeded beyond expectation, and stresses importance of Organization of European Economic Cooperation as an instrument of trade liberation. Holds statistics about level of national tariffs are misleading, and belittles effects of existing tariffs. Asserts Britain is doing everything within its power to help itself and its neighbors towards a more liberal economic system.

I think developments in the European economic position, and in the position of Britain, have special relevance to a trade convention meeting in New York at the present time.

New York, like London, is a city which has grown to wealth and power by foreign trade, and by all those ancillary services — credit, investment, insurance, shipping and now air transport—which have created the modern economic world.

Sir Roger Makins

There are many other great ports in the United States, as there are in my own country, which have vital roles in this ever-unfolding, and always exciting drama of foreign trade. New Orleans or Liverpool, San Francisco or Bristol—evoke lively historical images of the great pioneering endeavors of our ancestors; and the history of other famed trading ports of Europe — Antwerp, Rotterdam, Genoa, Hamburg, Lisbon, Copenhagen, Istanbul—has in it not only the search for profit but also the sense of high adventure.

Yet if one is looking for a symbol today of world trade in a new aspect, one cannot go far wrong in picking New York. The most dramatic change in the last 25 years is the dominant role of the United States in the world economy, and New York, with its powerful commercial and financial institutions, is an apposite reminder to all of us of this change.

And if this is a good place, it is also a good time to talk about the meaning of world trade. I believe that in this year, eight years after the end of a devastating war, we are at last approaching a position in which we can get some real perspectives for the future.

In the eight years which have passed since the end of the war, each year has brought recovery —and some years remarkable recovery—to those of us who suffered heavily in our way of earning a living. Yet none of us, looking at the picture, could be sure that we saw what we really wanted to see—the prospect of stability and the sure hope of progress. The sequence of events seemed too jumpy to be reassuring. One good year seemed inevitably to bring a bad one after it; and in such circumstances it was hard to accept the contemporary pattern of trade as a firm foundation on which to build future plans. But the year 1953 holds out, I believe, a better promise that we shall achieve the goal common to Britain and the Sterling Area, to the Western European countries, to the United States and to Canada, namely, a system of freer trade and freer currencies for the free world.

*An address by Sir Roger at the Luncheon Session of the 40th National Foreign Trade Convention, New York City, Nov. 18, 1953.

Coming of the Marshall Plan

The recovery of Western Europe dates from the United States decision to put her aid to Europe on a systematic basis for four years, until by joint effort a self-supporting European economy could be recreated. This decision was taken in the interest of all parties, the United States included. But the Marshall Plan was, nevertheless, a unique example of national generosity and imaginative political thinking. Through the use of dollars, without which employment and living standards in Europe would have sunk to a disastrous level, the Plan was designed to promote a closer unity and understanding between the recipient nations themselves, and between those nations and the United States, which would last far beyond the period of the Plan itself. And let it not be forgotten that the Soviet Union and the satellites were given the opportunity of participation.

The immediate purposes of the Marshall Plan succeeded beyond expectation. They were the steady rise in output and standards of living in Western Europe, and the reduction of Western Europe's dependence on economic aid from the United States. In the four years of the Plan, industrial production in the European countries concerned increased by 40% and agricultural production by 20%. At the same time, the overall deficit of the O. E. E. C. countries with the rest of the world, which was more than four and a half billion dollars in 1948, has been practically eliminated. As for Europe's relationship with the dollar area, the deficit on current account has been reduced from five billion in 1948 to one and a half billion in 1952 and further marked progress has been made in closing the gap in 1953.

The instrument through which this progress was made has the unromantic name of the Organization of European Economic Co-operation or the O. E. E. C. Its work is as unspectacular as its name. It is an inter-governmental, not a supra-national body, and to that extent it may be considered old-fashioned. But its record of solid achievement has not often been equalled by an international organization, and it has, in a quiet way, established new methods of international cooperation. Each country submits not only its external economic plans but its internal, financial and economic policies to the Organization, and defends them against the criticism of the other members. All this is new in international economic work. The Organization consists of 16 countries, and representatives of the United States and Canada are associated with the meetings and the work. Its General-Secretary is a distinguished French economist. The representative of the United Kingdom is now the Chairman of the whole organization, and it is for this reason that I feel entitled to speak of its work today.

The O. E. E. C. soon became concerned with the problem of achieving a system of freer trade and freer currencies in Europe. Indeed it was on this that the Organization concentrated its efforts when the period of American economic aid, with all the problems of its division and utilization, came to an end.

Liberalization of Trade

At the outset of the Marshall Plan, European trade was largely on a bilateral basis and was hedged about with quota and import restrictions of every kind. Every country tried to balance its payments with each of the others separately. Many currencies were not convertible one with the other and in consequence were classified in a bewildering range of "hard" and "soft" as varied as the solar spectrum. And with these distinctions between currencies went discrimination in the licensing of imports and the allocation of exports. One could buy cheese from France but not from Belgium. One was more ready to sell coal to Sweden than to Holland, according to the circumstances of the moment and the state of payments with each country. The O. E. E. C. set itself to put trade on a multilateral basis, and to remove quota restrictions and discriminatory duties to the fullest possible extent. This process is called the liberalization of trade.

I am sorry to have to use this frightful jargon: the subject of economic policy seems to generate it spontaneously. Indeed I often think of Edmund Burke's complaint "The age of chivalry has gone, that of sophisters, economists and calculators has succeeded."

But trade cannot be effectively liberalized unless payments are liberalized, and vice versa. Trade and finance must advance hand in hand. Therefore the European Payments Union was set up to do, for the Western European countries, what we are all trying to do for world trade as a whole. It allowed member countries to purchase goods from each other without having to worry about the balance of their payments with any particular country. It made their earnings in one European currency freely convertible into any other, so that they need be concerned only with the balance of their payments with all the rest of the group taken together. At the same time it provided credit margins of overdrafts to deal with temporary surpluses of deficits. Special steps had to be taken to deal with the position of countries who were persistently in surplus or in deficit.

The O. E. E. C. has therefore established one set of rules designed to produce the greatest freedom of trade between its members, and another set of rules to regulate the payments between the members with the object of keeping the system as nearly as possible in balance. These rules are supervised by small groups drawn from the members of the Organization, called the Trade Board and the Managing Board of the E. P. U., which work, of course, under the supervision of the Council. The rules provide that a country which moves into serious deficit with the Union can re-impose such restrictions as may be necessary to protect its reserves, without fear of retaliation by other countries. These restrictions have to be non-discriminatory, and they have to be justified to the Organization. The assumption on which the organization works is that these restrictions should be temporary expedients only: to protect a country's reserves while more fundamental measures are taken to adjust the level of home demand, so that payments can be brought back into balance, and unrestricted trade again becomes possible. The Trade Board therefore keeps under constant review the situation and policies of countries which, owing to their debtor position, are in default on their liberalization policies. By the same token, the Board keeps under review the countries which are heavy creditors of the European Payments Union and encourages them to play their part in correcting the disequilibrium by maintaining a high level of internal demand, and by freeing their trade within the system from restrictions to the maximum possible extent.

For it is accepted that the pattern of trade cannot be dealt with apart from the system of payments, and that progress in one is inextricably linked with progress in the other. This is true, not only for the area covered by the European Payments Union, but for the free world as a whole, and it has a direct bearing on the discussion of that popular subject, the convertibility of sterling.

Of course, there have been ups and downs. In 1950, the level of liberalization in the O. E. E. C. system had reached the target figure of 75%. But the economic consequences of the outbreak of the Korean war threw Britain into a balance of payments crisis, and, in full accord with the rules of the Organization, her liberalization was reduced to 44%. Shortly thereafter, for this and other reasons, French liberalization was reduced almost to zero. That the system was strong enough to stand this retreat on the part of its two largest members is a testimony to its soundness, and the creditors in the Union continued to maintain their liberalization at or nearly 100%. However, this was not done without some strain.

Accordingly, at the recent meeting of the Organization presided over by the British Chancellor of the Exchequer, Mr. R. A. Butler, the United Kingdom announced that she would restore the percentage of liberalization to 75%, and at the same time, increase the foreign exchange allowances for British subjects wishing to travel in the area.

This was a bold move, considering that the United Kingdom is now hardly running in balance within the E. P. U. and has still to deal with a debt of some $560 million to the Union, contracted during the balance of payments crisis of 1951. However, the British Government felt that it was necessary to take some risks in order to pursue the goal of freer trade and freer currencies, and since they hold the chair of the Organization, to give a lead within it.

This action was taken on the understanding that the rules of the E. P. U. remained unchanged; that is to say, that they should not be stiffened in favor of the creditors, as some people had proposed. This is another reminder that in advancing towards a freer trading system, trade and payments arrangements must always be considered together.

The Organization decided to meet again this Spring to see, from the work which would take place in the meantime, what further steps could be taken to increase the extent of liberalization within the system. Other questions to be studied further are the effect on the Payments Union of one or more currencies becoming convertible, and the possibility of relaxing quantitive restrictions on dollar imports.

I want to make it clear that O. E. E. C. is concerned with the removal of restrictions on trade and payments other than tariffs. In the international field, tariffs are particularly the concern of the Organization set up under the General Agreement on Tariffs and Trade, otherwise known by the euphonious name of G. A. T. T. I do not want to dwell on this controversial tariff question today except to make one point.

National Tariffs

We often see statistics about the average level of national tariffs. But these are misleading, because no one has yet devised a technique which effectively measures the average level of a country's tariff. Most people nowadays recognize that average figures of this kind merely measure the protective effect of the tariff on those goods which are not completely excluded by it. They do not always achieve even this modest objective. In the case of my own country, for example, it has been claimed that we have an average tariff of about 25%, and that this average figure is about 25% higher than the comparable figure of 1937.

In fact we have not increased the level of our tariff since before World War II. If we excluded from the calculations (as we obviously should) revenue duties which apply to domestically produced goods, as well as to imports, and which have no protective purpose, the figure of 25% for the averaeg tariff, which has had some publicity, is seen in fact to be less than 3%.

I would not myself attach too much significance to this or any other figure which purports to represent the protective effect of a national tariff, but the difference between it and the 25% figure from which conclusions have been drawn about the general character of the British protective tariff is sufficiently striking to call for a comment.

I will only add that the O.E.E.C. countries will, I am sure, continue to play their full part in efforts to reduce tariffs generally, as tariffs are an important, though not by any means the whole part of the total economic picture which we have to look at.

I think that it is felt by some Americans that Europeans throughout these last years have been sitting back and waiting for the United States to solve their problems. I hope that what I have said about the work of this O.E.E.C. will show that this is not so. By their cooperation within this Organization, European countries are really doing their best to raise their production and to increase their exports; to maintain financial stability and to counteract inflation in their national economies; and to achieve the greatest measure of freedom in trade and payments which their circumstances permit.

Reducing British Controls

I may perhaps be forgiven if, for a moment, I now turn to the part which Britain has played within the O.E.E.C. in the direction of more liberal economic policies.

I have occasionally detected a feeling in the United States that the British people revelled in the restrictions and controls which were imposed wthin their economy, and positively enjoyed standing in queues. The criitcs are perhaps not always aware that these controls were imposed by economic circumstances, not popular choice; and that they were accepted because in a time of shortage and in a period when every preference had to be given to exports, controls were necessary to ensure a fair distribution of what there was throughout all sections of the community.

Her Majesty's Government have, in the last months and years, taken the opportunity of a more favorable economic climate to do away with or to reduce controls, restrictions and subsidies. The process had already started under the previous government. Under the present government there has been a marked acceleration. Perhaps the most significant step was the ending of the allocation of steel by the government. Trading in cereals and feeding stuffs has been returned to private hands, as have practically all the main

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industrial raw materials. The London Metal Exchange has been reopened. The Corn Exchanges will soon be dealing in wheat futures. The central buying of cotton will end next year, and the Liverpool Cotton Exchange will again come into its own. Import restrictions have been widely lifted. Softwood, pitwood, most metals and petroleum can now be imported freely from all sources. The rationing of food stuffs has been greatly reduced in the last few months, and will be ended next year altogether, and with it much bureaucracy and form-filling will perish.

To my countrymen this will have the same sort of effect as breaking the sound barrier had on aircraft designers. But the general advance towards a freer economy is also not without economic risks. The lifting of restrictions and the private purchase of raw materials means that there will be greater purchases of dollar raw materials and therefore an additional strain on the dollar reserves. But here again, the government have felt it possible to take some chances in order to demonstrate their belief in the merits of a freer economic system.

Britain's Internal Financial Stability

This process has been greatly helped by the fact that a strict fiscal policy has brought about internal financial stability and has largely eliminated inflationary tendencies in the British economy. As Mr. Butler said recently, the British economy "is steering a fairly even course at present between the primrose path and the wasteland," by which he meant, of course, inflation and deflation.

Perhaps I have said enough to show that both at home and in Europe, Britain is doing everything within its power to help itself and its neighbors in pursuing the goal of a more liberal economic system.

But in recording the progress that has been made, it must not be supposed that all is well. The underlying position is still precarious. We in Britain by persistent effort are keeping our head above water, but a high Spring tide could easily engulf us, and we are still far from dry land.

I have tried to think of a figure which would illustrate my meaning, and I offer the following simile. The Western European countries after the war were in the position of a group of shipwrecked mariners who had lost almost everything. They were picked up by an American vessel and taken to an island. There they were encouraged and helped to recuperate in mind and body and to forge themselves into a healthy and courageous group of men. They did this, but they were limited in their future progress by the insular nature of their domain, and were still far from that promised land, which bears the elegant name of convertibility. To reach it they must take to the water: but however well they swim, row or sail, if tides and currents are adverse they will be driven back, not even back to their old island, but to some less hospitable and more discriminatory shore. They need the fair winds and tides, which can be created for them only by the action of external forces.

But enough of similes.

Goal Toward World-Wide System of Multilateral Payments

I have spoken about the success which the O. E. E. C. has had in establishing a multilateral payments system in Western Europe and freeing intra-European trade. But this system has never been regarded as an end in itself. It is no more a than a step towards the establishment of a world wide system of multilateral payments and trade free from quantitive restrictions; the kind of system contemplated by the Allies at the end of the war. The objective has never been to build up a permanent bloc of the European countries which, with their associated monetary areas, would trade freely with each other and discriminate against the rest of the world. On the contrary, it has always been the intention that the existing arrangements would be absorbed, as soon as world conditions were right, into a wider system of liberalization of trade and payments.

Last year, the governments of the British Commonwealth took the initiative in proposing that a fresh collective effort should be made to realize this wider purpose, and in January they will be meeting again to consider the progress which has been made. They recognized at the outset that individual countries must be prepared to adopt policies which would have the effect of placing their accounts with the rest of the world in balance, and that, within the free world, the balance of payments between the dollar area with the rest of the world must be near equilibrium. In other words, the trade pattern must be such as to sustain the removal of restrictions without driving any of the countries concerned into a balance of payments crisis.

Some people are beginning to suggest that we are, by natural evolution, in sight of this happy position. It is true that the balance on current account between the dollar area and the rest of the world has evened up, and that some rebuilding of reserves in the non-dollar area has taken place. But this is due to a number of exceptional factors. It has taken place at a time when demand in the United States is at a record level; at a time of an exceptionally high level of American military expenditure abroad; at a time when American aid, although linked almost entirely to rearmament, has been running at a figure of over two billion dollars, which is a very significant figure in the balance of payments; and at a time when the inevitable restrictions on dollar goods, owing to the continued shortage of dollars, conceals an invisible gap of unknown magnitude. Finally, as far as Europe is concerned it is a time when a favorable twist in the terms of trade has come to our aid. It follows that an unfavorable turn in any of these factors would, in the precariously low level of reserves, administer a setback which would certainly be serious, and might be disastrous.

It is sometimes believed that the solution to the wider problem of the balance of payments in the free world can still be found in Europe, and that the attainment of, or further progress towards, the common market in Europe would offer the solution. I have given enough indication that I, at all events. do not agree with that view. The European countries, and particularly my own country, are going just as far as they possibly can to remove restrictions in the light of balance of payments position. Moreover, this is not a European, but a free world problem. We cannot be satisfied until trade flows as freely between the dollar area and the other monetary areas of the world as it does within those areas. This requires a large and steady flow of dollars to the non-dollar world, not dependent on special measures, such as aid or extraordinary military expenditure. The ultimately controlling factor must be the United States, which, as the largest creditor nation, is dominant in the economy of the free world.

It is, I think, pretty clear that for the success of a system of freer trade and freer currencies, which it is our joint object to achieve, certain conditions are necessary. There must, for example, be adequate reserves in the form of gold and dollar holdings, or credit facilities, which will allow the principal trading countries to weather minor and temporary balance of payments deficits without being forced into premature restrictions on imports, or severe deflation. Both are apt to be contagious.

Problems of the Sterling Area

One of the principal reasons for the difficulties in the Sterling Area since the war has been that the level of reserves has been inadequate to absorb swings in the balance of payments which were not large in relation to the total transactions of the Area, but were just too great for the existing reserves to deal with.

Secondly, all countries involved will have to do their best to avoid major fluctuations in internal activity, since these fluctuations inevitably disturb the pattern of international payments.

Thirdly, creditors and debtors alike must be willing to take the steps which are necessary to correct any disequilibrium which may appear.

The experience of the O. E. E. C. in Europe has shown the value of the general acceptance of principles of this kind.

Now it is not my purpose today to suggest what the United States should or should not do in their economic policy. That is none of my business. Moreover the whole problem is being examined in the most authoritative way in the United States. My purpose has been to tell you what the European countries have been trying to do together to help themselves, and to improve their economic position. But it is natural enough, knowing the effect on them of movements in the vast United States economy and of the decisions of the American Government in this field, that they should await with considerable concern the outcome of your deliberations.

For the moment, they are holding the line and trying to make small advances. But they cannot break out on their own. Time presses upon us in these matters, as in so many others, and we cannot, any of us, stand still indefinitely. If we do not seize the chances of moving forward when they are presented to us, as they are, in my judgment, presented to us today, we may find that the force of circumstances will compel us to move reluctantly back.

Personally I am confident: confident in the ability and will of my own country to continue its path to recovery; confident in the determination of the Western European countries to strive for closer economic co-operation among themselves; confident, above all, in the judgment and decision of the United States in this matter of supreme importance to the whole free world.

Wallace, Newman And Stern Join Newburger, Loeb

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, announce that Edwin R. Wallace, Arthur Andrew Newman and Robert L. Stern have joined their organization as registered representatives at the firm's main office, 15 Broad Street.

Mr. Wallace was previously a member of the New York Stock Exchange, Mr. Newman had been the head of the Andrew Newman Company and Mr. Stern was formerly with General Builders Supply Corp. and the Farley-GMC Truck Company.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

The first official indication of bank earnings for the current year was the estimate recently published by the Bank of Manhattan. It indicates a record year for earnings of the New York City banks.

The Bank of Manhattan's charter specifies that the annual meeting shall be held the first Tuesday in December. For this year it will be December 1st. In order to give stockholders an indication of operating results expected for the year at that time, the Bank has released an estimate of operating results based upon actual earnings for the first nine months and projections for the final quarter.

According to the Bank of Manhattan it is estimated that net operating earnings for the current year will approximate $7,400,000, an increase of $1,087,000 over the $6,313,000 reported for 1952. This would be equivalent to $2.69 a share on the 2,750,000 shares now outstanding. On the 2,500,000 shares outstanding last year, that is before the sale of 250,000 shares in February of this year, the net operating earnings were equal to $2.52 a share.

These estimates and results are derived from operating figures made up as follows, taken from the report sent to stockholders of the Bank of Manhattan prior to the annual meeting next week:

	1953 Estimated	1952
Earnings:		
Interest on Loans	$23,450,000	$20,141,000
Interest and Dividends on Securities	6,950,000	6,294,000
Commissions and Fees	3,950,000	3,934,000
Other Earnings	650,000	564,000
	$35,000,000	$30,933,000
Expenses:		
Interest Paid	$1,800,000	$847,000
Salaries and Wages	10,900,000	10,459,000
Cost of Employee Benefits	900,000	804,000
Taxes (Other than on Income)	550,000	585,000
Federal Deposit Insurance	350,000	342,000
Other Expenses	5,250,000	4,729,000
	$19,750,000	$17,766,000
Net Oper. Earns. (Before Inc. Taxes)	15,250,000	13,167,000
Provision for Income Taxes	7,850,000	6,854,000
Net Operating Earnings	7,400,000	6,313,000
Shares Outstanding (Par Val. $10 per sh.)	2,750,000	2,500,000
Earnings Per Share	$2.69	$2.52

Provision for Income Taxes deducted in arriving at net operating earnings in the above figures does not reflect the tax effect of net losses on sales of securities.

The major changes in the foregoing include the 16.4% increase in interest on loans. This is the result of higher loaning rates as well as a moderate rise in loan volume. For the first 10 months through October of 1953, the average rate earned on loans was 3.75% compared with 3.48% for the year 1952. At the same time the average volume of loans was higher by about $35 million.

The rate of return on total earning assets also reflected the higher interest rates. For the first 10 months the return on all earning assets averaged 3.23% compared with 2.91% in the previous year. This enabled the bank to show an actual increase in income from security holdings even though the total of such investments was lower.

On the expense side, the largest gain was in interest paid. This reflected the increase in interest rates on thrift accounts as well as a larger volume of other time deposits. Other expense items were moderately higher as a result of a general increase in operating costs including salaries and wages.

The increase in expenses, however, was less than the gain in gross earnings so that earnings before taxes were substantially higher. Although the provision for taxes increased and was above a year earlier, the gain in net operating earnings amounted to 17.2%.

This estimate of operating results of the Bank of Manhattan indicates an earnings gain considerably better than is likely to be reported by many of the other New York institutions. While final adjustments are still to be determined, the gain for the group is estimated at around 7%.

Of course, many banks will make a greater gain than this average. Based upon the results achieved so far and other available information including the estimates made by Bank of Manhattan, the operating earnings for the current year should be excellent.

Rice Wire to St. Louis

CHICAGO, Ill.—Daniel F. Rice & Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges, have installed a direct private wire to A. G. Edwards & Sons of St. Louis.

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(Special to THE FINANCIAL CHRONICLE)

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Canada's Contribution To World Prosperity

By HON. DOUGLAS ABBOTT*
Minister of Finance of Canada

After discussing similarities and contrasts in the economic positions of Canada and the U. S., Finance Minister Abbott describes Canada's role in the program for creating world stability. Stresses hard work and high skill of Canada's population, along with that nation's great material resources, as contributing factors in world stabilization, and points out realistic attitudes of Canada in international affairs and in the movements for free and fair multilateral trade. Concludes "prosperity among members of free world is essentially indivisible."

Canada's part in the maintenance and development of world stability and prosperity presents a number of similarities to the role of the United States. I am no expert in the technical language of architecture, but, if your country is the keystone of world prosperity, perhaps mine could be described as one of its flying buttresses.

Hon. D. C. Abbott

Like you, we are a North American country, and our past history and, therefore, some of our current habits of thought reflect the expansive environment and the relative remoteness from the Old World in which our two nations grew up. With you we share in large measure a common economic culture. We have a common technology. We produce and we organize and operate our industries in much the same way. We both believe in freedom and in free competition —at least within our own borders. Our ideas on what is a sensible relationship between government and business are not markedly divergent. We have both experienced a dynamic past, and, like you, we take a dynamic and optimistic view of the future. Canadians, as individuals, do not like being mistaken for Americans when they travel abroad—as we sometimes are — but we have to admit that Europeans cannot be blamed too severely for so doing.

Substantial Contrasts Between U. S. and Canada

But, while we have these similarities, the differences and contrasts between our position and yours are very substantial.

First, and most obvious, are the great differences in size and wealth. While we are growing rapidly — I believe our rate of growth is a bit more rapid than yours—you still have more than 10 times our population, and your productive capacity and accumulated wealth is 15 to 20 times greater than ours. The sheer weight of the world impact of your policies and of vicissitudes in your affairs is incomparably greater than ours.

While we have great resources of farm, forest, mine and sea, they are much less varied than yours. Occupying as we do the northern half of this continent, the variety of our resources is limited by the facts of climate and geography. We produce great quantities of pulp and paper, copper, lead, zinc, asbestos, gold and uranium, and now, or in the near future, our output of oil, natural gas and iron ore will be a significant contribution to world supplies. We produce the highest qualities of beef, bacon and cheese and our hard wheat is the finest in the world. But we cannot grow cotton, oranges or rice. Our growing seasons are all relatively short, and in many other respects the variety of our output has been circumscribed by nature. In very few important things do we have a balanced self-sufficiency. For most important commodities we have either a heavy export surplus or a large import requirement.

We are therefore much more directly dependent upon international trade than you are. I believe, and I know you realize, that your strength and well-being are also heavily dependent upon an expanding and well-balanced world trade. To us in Canada our dependence on trade is self-evident—it requires no argument or explanation; but I have the impression that to many Americans their similar dependence is not so obvious, for it is a dependence at one remove—it has to be explained and is not always easily or quickly understood.

Another difference between us is the historical background of our ties with Europe, which affects to some extent our current thinking on international economic relations. Like you, we are a free and independent nation, but, unlike you, our political separation from Europe came gradually and by an evolutionary process. It came about without bloodshed or recrimination. It left no ancient grudges to be perpetuated in our school books. It is difficult to assess the weight of this factor on the course of public opinion, but I think the ordinary rank and file of Canadian people have rather fewer mental road-blocks when they think about international relations.

The only other point of difference I shall mention arises out of the question of foreign investments. Both our countries in their formative stages were developed largely by foreign capital. For you, that happened quite a long time ago. With us it is quite recent; indeed, in some lines it is still going on. We realize the value of foreign investment to the recipient, and we know that it is not just the inflow of money that is valuable, but equally important are the technical and managerial skills that normally accompany it. But we are also aware of the economic and political problems which heavy capital inflows bring with them. We have no doubt where the balance of advantage lies, but I think we can understand, though we do not share, some of the suspicions and doubts which are entertained by quite a few of the newer developing countries about the political dangers of private or even intergovernmental foreign investment.

This may seem rather a long preamble to the substance of my address, but because of our many similarities it sometimes happens that Americans rather take us for granted and tend to overlook the differences, which are very real, which are important elements in the Canadian character and outlook, and which make us see things a little differently or react a little differently to the trend of events.

Canada's Role in Program for World Stability

Canada, it seems to me, is an essential partner in any program for world stability and prosperity. Our partnership with the United States is implicit in the North American economic facts of life, and has been made explicit in such instruments as the Permanent Joint Board of Defense set up in 1940, and the Agreement on Principles for Economic Cooperation signed in Washington in October, 1950. We are also in partnership with the United Kingdom, a partnership based upon history and tradition, loyalty to a common crown, and the ties of long-established trading relationships. Our partnership with the United Kingdom and the United States is further broadened and linked into our partnership with Western Europe through the North Atlantic Treaty Organization. We have, in addition, our strong bonds of Commonwealth membership with Australia and New Zealand, and through the Colombo Plan and other contacts we are developing growing ties of friendship and understanding with Southeast Asia.

In terms of our geography and our resources, we are essential both to the strategy of defense and the strategy of peace. Yet we realize that we are in no position to go it alone. We need the United States, the United Kingdom, Western Europe and all our other friends as much as you and they need us. The free nations of the world are all members one of another. Isolationism has never been a significant force in Canada—it flies in the face of every fact of our geography, history and economics.

What Canada Contributes

What does Canada bring to these parnerships? What can it contribute to the community of free nations? It can bring both things and ideas.

First, and most important, in any listing of resources are our people. The population of Canada is growing rapidly, both by natural increase and by the largest flow of immigrants that we have experienced in the past 40 years. There are now 15,000,000 of us. Nearly one-third trace their origins back to France and retain French as their mother tongue. About one-half trace their ancestry back to the British Isles—most of them directly, though quite a number have forefathers who lived for a generation or more in the American colonies or later in the United States. Nearly one-fifth of our people, themselves or through their parentage, represent the races and cultures of every country of Europe. Although we are so diverse in our racial and cultural make-up, there has never been a time when we were all so essentially and unitedly Canadian. This is not because we are fusing all this diversity into a new uniformity, but because we have accepted the necessity and the desirability of consciously retaining both our main languages and cultures, and building our society on a friendly partnership of both.

We are a hard-working and a highly skilled people, and during the past 15 or 20 years we have made great new strides in developing scientific research and managerial skills. We have retained a considerable measure of the old-fashioned virtues of prudence and thrift. Some of my American acquaintances say we are somewhat lacking in imagination and the spirity of adventure. We tend, I think, to be emotionally more stable or less volatile than some of our friends. Our brighter critics at home tell us we are too respectably dull. But experience has shown us to be reliable friends, and in the testing times of the nations we have proved ourselves capable of powerful and sutained effort.

On the material side, I do not propose to give you any detailed catalogue of our resources. We are one of the greatest food producers in the world. We are one of the richest and most varied sources of minerals—from copper to uranium, from nickel to titanium, and from gold to iron ore. Our abundance of low-cost hydro-electric power is the basis of highly efficient aluminum and chemical industries. On the existence of huge reserves of natural gas we are building up a whole new petro-chemical industry. Our forests provide most of you with your daily newspaper, and they supply the lumber for homes and industry both on this continent and overseas. We have developed a considerable variety in our manufacturing industries, and a growing number of these have reached a point in costs and efficiency where they can compete in world markets.

Canada is an efficient large-scale producer of many of the most important materials and products essential both for defense and for the peaceful development of rising standards of living all over the world.

Canada's Contribution of Ideas

These are some of the things that we can contribute to the partnership of free nations for the promotion of international peace and prosperity. We can also, I believe, contribute ideas. Not all our ideas are highly original — some of them may be considered a bit old-fashioned. But we hold them rather firmly—perhaps even rather doggedly.

First, I should say that we are realists. Because of our dual culture and because of the sharp regionalism of our economics and politics, Candians are familiar with the world of practical compromise. We are accustomed to look for good practical solutions rather than theoretically ideal solutions. We prefer a practical compromise that works, to a logical solution that doesn't. We have learned that the only agreements that are likely to stand up to the pressure of events are those that are based upon continuing mutual advantage. Most people and most nations act most of the time in pursuit of their own enlightened self-interest. Emotions and idealism are, of course, very important, but we are sceptical of plans or policies based primarily upon them.

You remember the Duchess in Alice in Wonderland. I hope Alice never goes out of fashion. She is the repository of so much practical wisdom as well as concealed higher mathematics. You remember that the Duchess remarked that it was love that made the world go round, and Alice's reply that she thought it was done by everybody minding their own business. Canadians, I think, are inclined to agree with Alice.

In both our domestic and our international relations we are always looking for practical solutions, a step at a time, based on a fair balnce of give and take. In negotiations, we pursue our own long-run self-interest and we expect other countries to do the same. We expect to have to compromise on less essential points and we expect others to do this also. Only agreements based on this sort of realistic negotiation are likely to be reliable foundations for further advance.

There are plenty of problems in the world today that call for this kind of negotiation. I shall not venture into the high political field, but I should say something about international economic problems.

We in Canada have been impressed by the degree of progress made in the political and military spheres under the auspices of the North Atlantic Treaty Organization. Perhaps NATO has not done as much or gone as far as some people hoped or expected three years ago. But real progress has been made; we have come quite a long way. Frankly, however, we in Canada are genuinely concerned about the thin and rather brittle economic base upon which this political and military co-operation has been built. We are convinced that the political and military security of the free world must have a more solid economic base, for I am enough of an economic determinist to believe that if the economic base cracks again, it will be extremely difficult to maintain the measure of political understanding and military cooperation which now exists.

We are therefore strong advocates of moving as rapidly as possible to the highest practical levels of free and fair trade on a multilateral basis. We know all the difficulties and complexities of moving in this direction, and we realize the inevitability of a step-by-step process. We would like to see some bolder steps taken, and we would like to see a smaller time interval between steps. I have attended quite a number of international meetings where these matters have been discussed. I attended the Commonwealth meetings in London a year ago, and I expect to attend another meeting of the Commonwealth Finance Ministers in Australia early in January. We in Canada, and our colleagues in the rest of the Commonwealth, have firmly accepted the objective of multilateral trade and investment and the progressive withdrawal of trade and currency restrictions as rapidly as possible. Canada, through good fortune (and, we like to think, a certain amount of good management) has in all practical respects reached this position. Our colleagues of the Sterling Area have made a good deal of progress, but are still some distance from the goal. The Sterling Area, as you know, is a great trading area. It is, I believe, prepared to take firm and substantial steps toward our common goals of multilateralism, non-discrimination and convertibility if it can feel assured that it will be met half-way. We have been encouraged by the many indications that public opinion in the United States is moving along converging lines. We are convinced that every country, Canada, the United Kingdom, the United States and the whole free world, will benefit tremendously from moves in these directions. If we can thus deepen and strengthen the economic base upon which our political cooperation necessarily rests, we shall in fact have greatly improved our whole defensive position.

Prosperity Among Free Nations Is Indivisible

Prosperity among members of the free world is essentially indivisible. We all recognize the key position of the United States. We expect you, as we expect other countries, to pursue policies that accord with your enlightened self-interest, in the future as in the past. If you really do this, we shall not be disappointed.

Another idea that we have is that political and economic freedoms are good things, but that they find different expression in different peoples at different times. The institutions of our own country and those of our Commonwealth of Nations, are based upon the idea of the peaceful and friendly co-existence of differing political systems and sharply different cultures. Canadians have no urge to remake mankind into their own image. We have found that we can work constructively with those who do not enjoy the advantages of our parliamentary system, with those whose ideas of the government's proper role in economic affairs are quite differ-

*An address by Minister Abbott at the Fall Session of the Academy of Political Science, N. Y. City, Nov. 5, 1953.

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ent from ours, or with those who have scales of social and personal values which we would not care to adopt for ourselves.

Freedom and progress in economic affairs are not things which can be conferred or imposed upon people from without. Fundamentally they must grow and develop from within, but as you and we and other technically more advanced countries have shown, there are many ways in which we can help the technically less advanced countries to accelerate their development; and both your country and mine, each in proportion to its resources, have done a great deal to help restore the ravages of war and share the costs of collective defense.

Like you, we regard the loans and grants which we have made primarily as an investment in our own future as well as being investments in the future of the receiving countries. This kind of investment on the scale on which we and you have been operating for the past seven or eight years is not the sort of thing that can go on indefinitely. But in so far as Canada is concerned, we are reasonably well satisfied with the political and economic dividends which they have so far assured. It has been our experience that the best results have come from those operations where a large part of the initiative and finance has come from within the receiving country.

These are some examples of how we have tried to be constructive partners in international economic affairs, and I have tried to indicate the way and the spirit in which we approach these matters.

I should like to conclude by referring to one of the greatest and certainly one of the shortest after-dinner speeches ever made. It was nearly 150 years ago. After six years of failure and disappointment, the great news of the battle of Trafalgar had reached London. It was also the day of the Lord Mayor's annual banquet at which the Prime Minister is the traditional guest of honor. The cheering crowds had unhorsed Pitt's carriage in the streets and drawn it in triumph to the Guildhall steps. At the dinner Pitt was toasted as the saviour of Europe. His speech in reply can be quoted verbatim. "I thank you," he said, "for the honor you have done me. But Europe is not to be saved by any single man. England has saved herself by her exertions, and will, I trust, save Europe by her example."

I suggest that we and you may well adapt this sentiment to our present circumstances.

Our first duty is to ourselves and our respective countries. We must each by our own exertions keep ourselves strong and free and expanding in both wealth and well-being. You and we also know that we cannot be strong and free in isolation, or even in isolated partnership. We in North America need the friendship and the freest possible two-way exchange of goods, of services and of ideas with Europe and with the rest of the world; and we must exert ourselves to make this possible.

We can also contribute to world stability and prosperity by our examples. We can each in our own country set examples of toleration, of dynamic expansion, and of rising standards of living, all achieved in a climate of political and economic freedom. In our relations with each other we can set an example of good sense in settling difficulties and disputes, good sense in speaking frankly but without acrimony, good sense in trade, and good sense in respecting each other's differences in ideas and in the way of doing things.

The world urgently needs both our exertions and our example.

Forecast High Business Activity in 1954

Prudential Insurance Company reveals its economists predict little general change from 1953 level, but not all phases of American business will follow same trend.

Business activity in 1954 will maintain a level almost exactly that of 1953, according to economists of The Prudential Insurance Co. In a forecast it is estimated that next year's gross national product will approximate the $369 billion annual rate attained in the last quarter of 1953.

Not all phases of American business will follow this year's course, the report points out. Declines in government purchases, capital expenditures and home building, plus a reduction in inventory accumulation, will be offset in a large measure by a sharp increase in consumer buying, Dr. Gordon W. McKinley and his staff of economists believe.

Due to adjustments in some industries, a very slight increase in the number of employed workers is seen for 1954. At the same time, the average work-week will decline from 40.7 to 40.1 hours. Despite this, the forecast says, an average rise in wages of some six cents per hour appears probable. These factors combined with a moderate increase in other forms of consumer income (rents, interest, dividends, etc.) and a reduction in income taxes will bring about a total of some $258 billion of disposable income. Allowing for saving at the current ratio, the economists conclude that consumers will spend $240 billion in 1954. This would be $6 billion above the present rate.

In spending this extra $6 billion, the American public will get the first real break they have had since 1950. A decline in consumers' prices of about 2% is expected by the economists next year. This decline along with the expected increase in personal income will mean a substantial gain in real purchasing power.

"The year 1954 therefore looks to us like a year which can be approached with confidence and considerable optimism," the forecast concludes. "There is no basic reason why it should not turn out to be a prosperous year. Only an unreasonable pessimism and a lack of faith in the staying power of our free enterprise system can prevent us from enjoying in 1954 the abundant economic goods with which our economy is capable of supplying us."

The current forecast is the latest in a series that was started in 1951 by the Prudential's Agencies Research Division under the direction of Dr. McKinley.

Laxity in Voting Shares Revealed in Survey

National Dairy Products Corporation reveals third of women stockholders and half of holdings of brokers, fiduciaries and financial institutions failed to participate in 1953 meeting.

That women stockholders are less active than men in exercising their voting privileges in corporate affairs is indicated in a unique analysis of stockholder participation in the 1953 Annual Meeting of National Dairy Products Corporation.

Moreover, about half of the brokers, banks, fiduciaries and other financial institutions holding the company's stock failed to vote that stock at the Annual Meeting, a study made public on Nov. 16 by E. E. Stewart, National Dairy's President, discloses.

National Dairy ranks among those large corporations having the highest percentage of stockholders taking part in Annual Meetings. The company's record of stockholder participation has risen in the last 10 years—from 58.6% of outstanding shares voted at the 1943 Meeting to 79.08% this year. Despite this relatively good showing, out of more than 63,000 stockholders, 20,000, or 32% of the total number, failed to vote in the 1953 Meeting. They represent about 1,400,000 shares, or 20.92% of the total.

National Dairy's 30,000 women shareowners are about 48% of the total number of holders. Of these women holders, 9,600 or nearly one-third, did not participate in the business of the Annual Meeting. There are about 23,000 men shareowners, or 36% of total holders. The men's record of participation was considerably better than the women's. A total of 6,500, or about 28% of men shareowners, failed to vote their proxies.

Women stockholders were also less careful than men in returning their signed proxies in time to be counted, the study indicates. Around 800 such tardy proxies were received, representing about 100,000 shares. Of late proxies available for analysis, women signers outnumbered men nearly two to one.

Nearly one-half of the financial institutions and agencies holding National Dairy stock failed to participate in the 1953 Meeting. The figures in this group ranged from 45% of brokers and banks not voting, to 52% of institutions and fiduciaries. Of those brokers, banks and fiduciaries who did return signed proxies, a relatively high number failed to post them in time to be voted.

Stockholders residing in the Middle West and West were just as active in participation as were stockholders in New York and other Eastern states. New York State, with the largest number of holders (16,577), made an approximately 66% return; Pennsylvania, with the next highest number (7,305), gave a 73% return. In the Midwest, Illinois, with 4,004 shareholders, returned 70%. Of the west coast states, California, ranking sixth in number of stockholders (2,987), returned about 72.6%; the State of Washington, with 280 holders, 74.6%, and Oregon, with 153 holders, 78%.

Foreign stockholders, who received airmailed proxies and prepaid return postage for the first time in 1953, returned a much higher percentage of signed proxies than in 1952—26% as compared with 5%.

The analysis was conducted by Jos. L. Caliri, Secretary of National Dairy, with the help of Catharine Fournier, Assistant Secretary.

Milner Asst. V.-P. of R. S. Dickson & Co.

R. S. Dickson & Company, Incorporated, investment dealers, announce the election of Henry Milner as an Assistant Vice-President of the company. Mr. Milner makes his headquarters in the firm's New York office.

A. O. Van Suetendael

Col. A. O. Van Suetendael, senior partner of A. O. Van Suetendael & Co., Yonkers, N. Y., passed away at his home at the age of 70.

Public Utility Securities

By OWEN ELY

Utah Power & Light Company

Utah Power & Light serves an area of about 20,000 square miles, extending south from Ashton, Idaho (near Yellowstone Park) to the central and southwestern border of Utah, a distance of some 400 miles. The company supplies electricity at retail to over 340 communities, and at wholesale to 30 customers. A subsidiary, Western Colorado Power Company, serves an area of about 3,000 square miles in southern Colorado from Red Mesa to Cedar Ridge.

The population served by the combined system is estimated at 670,000, including Salt Lake City (195,000), Ogden (61,000), and a number of smaller cities. The business is nearly all electric, revenues from steam heating amounting to about 1% of the total. The more important industries served are copper, lead, silver, coal and other mines; smelters, cement plants, packing houses, railroads, steel mills, flour and sugar mills, ore refineries and irrigation systems. However, the industrial load is comparatively small, providing only 26% of revenues as compared with 41% for residential and farm sales, 21% commercial, and 12% wholesale and miscellaneous.

Generating capacity at the end of 1952 totaled 451,000 kw., of which 190,00 kw was hydro power. Of the total output last year 31% was steam, 52% hydro and 17% represented net purchases. A 66,000 kw steam unit is scheduled to come on the line toward the end of 1954 and a 100,000 kw unit in 1955. The average residential rate in 1952 was 2.13¢, some 23% below the national average. Correspondingly, the average domestic consumption approximated 3,200 kwh, nearly half again as large as the U. S. average.

Of the current system revenues of nearly $30 million, business in the state of Utah accounts for about $24 million, Idaho for about $4 million, and Colorado $2 million (Wyoming business is negligible). System revenues have shown rapid growth, having gained about 113% in the postwar period (although during the period 1937-45 there was little net gain). The 1952 report states "the intermountain area is experiencing an unprecedented growth in its economy. The power lines of Utah Power & Light Company and its subsidiary continue to branch out to serve more and more needs of more and more people."

The State of Utah has about the highest birth rate of any state, as well as the lowest death rate, so that the population is now increasing rapidly. Prospects appear good for ample job opportunities to take care of an increase due to a shift in the marketing pattern for Utah products, and an increase in the processing of minerals, particularly steel and copper. There are over 30,000 Federal employees in the State—in the Hill Field Air Force Maintenance Base, a large naval depot in Clearfield, an army supply and distribution depot at Ogden, and an experimental base at Dugway. The farm outlook will be considerably brightened as large new tracts of good arable lands come into production, when more water becomes available from the Colorado River under the Upper Basin States contract.

Mining is, of course, the major activity in the area. However, while copper continues to be produced in great quantity, interest is being shifted from coal and metals to petroleum and phosphate rock. Coal mining is, of course, being affected by a greatly increased supply of natural gas. Oil refining is becoming important. About one-quarter of the world's supply of phosphate rock (about 60% of U. S. reserves) lies in huge beds centering about the point where Utah, Idaho and Wyoming meet. On Dec. 1, 1952 Monsanto Chemical Company started operation of an electric furnace producing phosphorus, Utah Power & Light supplying electricity on an interruptible basis. About 30,000 kw are used when the project is in full operation. A second furnace of like size is now under construction. Other processing plants are being built in the area. Manufacturing enterprises are also active, about $30 million a year being put into new plants. Utah now has about 300 food processing plants.

Utah Power & Light will benefit by the use of natural gas as fuel for its steam plants, although they will continue to burn a substantial amount of coal and pitch. Hydro power is obtained from Bear Lake, which measures about 21 miles by 8 miles. There has been a shortage of rainfall this year and hydro operations have been considerably curtailed in order to conserve the water in the lake. Hence, while earnings of $2.76 were reported for the 12 months ended Aug. 31, the figure for the calendar year may not exceed $2.65, it is estimated.

The company plans to do equity financing around next March, but even with this dilution, the growth of operations and various new economies should permit maintenance of earnings of $2.65 next year, based on the increased shares, according to President Gadsby. Even with the anticipated small dip in calendar year 1953 earnings, the present dividend of $1.80 would represent only a 68% payout, which is conservative under present practice in the industry. With the favorable outlook for next year, some increase in the rate would seem a logical expectation.

UTAH POWER & LIGHT COMPANY

	Revenues (Mill.)	Earnings	Dividends	Approximate Price Range
1953 Est.	$30	$2.65	$1.80	35-28
1952	26	2.54	1.80	34-29
1951	24	2.36	1.80	30-26
1950	21	2.75	1.70	28-22
1949	20	2.31	1.60	25-21
1948	18	2.54	1.40	23-20
1947	17	2.44	1.20	23-21
1946	15	2.22	0.90	25-20
1945	14	1.64	*	*
1944	15	1.57	*	*

*Stock not in the hands of the public.

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Outlook for Durable Products

By ELMER C. BRATT*
Professor of Economics, Lehigh University

Dr. Bratt, in reviewing outlook for the durable goods industry, holds some overexpansion of durables is indicated by the reduction which has occurred in the age of durables in use. Says, however, the overexpansion is of manageable proportions, because it has occurred only in types of products having relatively short life. Sees, nevertheless, a recession of type of 1949, but concludes forces which might spread the recession have only limited strength.

There were clear reasons why the Conference Board selected three durable product groups for special consideration at this meeting. These reasons will be seen more clearly if we examine the influence of durable products in the general business situation at the present time.

Dr. Elmer C. Bratt

Durable products of all sorts have been sold at a rapid rate since the war. In 1953 housing, business construction and producers movable equipment will amount to over $51 billion, an all-time high. Thirty billion more will go for consumer hard lines. In addition public construction will come to $11.5 billion in 1953. The $93 billion aggregate amounts to 25% of total final goods and services. The percentage of durables has remained surprisingly close to 25 since 1947. It was 25% in 1929, but far less in the thirties decade. It fell to 14 in 1933 and rose only to 21 in 1937. In the twenties the sale of durable products remained high for 7 years from 1923 to 1929 and now it has remained high for 7 years from 1947 to 1953. For this and other reasons the time is appropriate to pause and ask ourselves how much of a market is left for durables. I wish to review briefly the general picture and to outline the key factors in the current business situation which must be considered when looking at the near-future market.

The distribution of the demand for durables is important. The growth in public construction has far outstripped the growth in private construction. The increasing part played by public construction is marked either if we compare 1953 with 1929 or with the early postwar period. Privately purchased durables today are a smaller percentage of final goods and services than in 1929 or in 1948. Private expansion in durables in the fifties has not quite kept up with total demand, including defense demand. These comparisons are made with earlier boom levels, however, and therefore the present demand for durables, although down in relative terms, is still abnormally high. The fact that the average age of the stock of durables has declined with the current rates of installation indicates this. On the other hand, development in technology growing out of a large volume of industrial research necessitates an extensive producer demand. Also, new types of consumer hard lines coming on the market tend to support consumer demand. Reduced age of the stock of durables is attributable partly to higher obsolescence arising from these factors, but they could scarcely account for the total of the reduced age of the stock. The most reasonable conclusion is that private demand for durables is a bit high for well-balanced development.

*An address by Dr. Bratt at the National Industrial Conference Board Conference, Pittsburgh, Pa., Nov. 19, 1953.

The Contrast With 1929

The demand for producer movable equipment in the postwar period has been greater than most analysts expected. The high demand has been founded on changes occurring in technology. Business construction has experienced a smaller expansion than movable equipment. The difference in expansion of equipment and business construction reflects the prevalent conservative investment attitude. Investment has been concentrated in equipment where advances in technology made profit prospects most clearly apparent. Such conservatism is at least partially indicative of the soundness of investment. It is in striking contrast with 1929. If allowance is made for price changes, equipment investment is seen now to be more than twice its 1929 level, while business construction still has not reached its 1929 level on this basis. The much shorter life of equipment than of business construction indicates that any overexpansion which has occurred will require a shorter phase of readjustment than was left in the wake of the twenties.

Unevenness in business and public construction in recent years throws considerable light on the extent to which high levels will continue next year. For one reason or another the advance in several types of construction has not kept up with widely recognized requirements. Particularly, the demand for commercial buildings, public utility structures, educational facilities, and roads is far from satisfied. There are various reasons for the slower expansion in these areas, including imposed building restrictions, unavailability of materials, and particularly rapid growth in the demand for certain services. The growth in the sales of electric current and of educational requirements are illustrative of rapid growth. Similarly, there is still a backed-up requirement for some public utility construction. The recent restraint exercised in building restaurants, stores, garages and other commercial buildings foreshadows a relatively high level of activity in these fields in the near future. The failure of roads to keep up with postwar needs is notorious.

The present offers an interesting contrast with earlier periods of overexpansion. In the 1870's, for instance, durable business investment and railroads were nearly synonymous, and, for the time being, railroad development had exceeded reasonable bounds. Similarly, business construction of all sorts had gone far to anticipate future needs in 1929. How extreme the 1929 levels were for many types of construction becomes clear when we note that most levels of business construction, with allowance for price changes, have not been exceeded, even down to today. Overexpansion in durables is more manageable at the present time simply because there are still so many types where expansion has been inadequate rather than excessive, and because the sharpest overexpansion has been in the less durable types.

No Recession Guarantee

The fact that overexpansion has not occurred in all durable goods does not guarantee against a recession. It does, however, lend a great deal of assurance regarding the seriousness of any depression which may occur. Deep depressions are characterized by severe declines in durables. Demand for nondurable goods and services will not fall a major distance when the demand for durable goods is well sustained. This is because nondurables and services are always off the cuff. They must be currently produced to be consumed and current activity cannot provide for future needs far in advance. Deep depressions are incubated in prosperity when durables anticipate needs too far in advance.

If we can breathe a sigh of relief with regard to a deep depression at the present historical moment, may we not take courage and ask if there needs to be any general recession at all? Since the war we have become accustomed to rolling readjustments. General demand has been sustained by some or many industries pushing forward, and under the umbrella provided by rapid expansion in demand in important sectors, readjustments were made with reasonable neatness when and where they proved to be necessary. In the Spring of 1947, a few industries, e.g., costume jewelry, reacted from a production rate which was piling up unwanted inventories. Demand in general, notably consumer hard lines and producer movable equipment, was going forward so fast that a chain of falling total demand had no opportunity to get started.

Or take the situation which developed in most consumer nondurables, especially in most types of clothing, following the spurts of scare buying in the second half of 1950 and early in 1951. Consumer inventories had been built up and buying became restricted. But general demand continued to advance because of the rapid rise in the defense program.

These are comforting illustrations, but it is best not to ignore an exception to relatively painless rolling readjustment. This exception came late in 1948. A general urge arose to reduce inventories, growing out of a basic improvement in the supply situation and out of the resulting reduction in pressure businessmen had used to develop insurance against short supplies. The deferred demand for durables had scarcely been made up in any area, and yet a recession occurred when businessmen generally felt the urge to trim inventories a bit. Rolling readjustments of the type which were experienced in 1947 and again in 1951-52 evaded us in 1948-49 because no large area of demand continued urgent enough to surge forward and compensate for the declining areas.

At the present time we are faced with some prospective declines and with no upsurges in demand great enough to be compensating. The supply situation has changed markedly since 1947 and the demand for durables is far less urgent. Instead of rising rapidly as in 1951-52, defense production may taper off slightly in 1954. Initiating declines are apparent for many types of durable goods. Continued high markets are indicated for most consumer hard lines, but scarcely as high as 1953. The same picture is seen in the investment for plant and equipment programmed in some industries.

Some inventories appear to have risen somewhat more than businessmen expected, and efforts to bring inventories back into line will tend to duplicate to some extent the market movement which developed in 1949. This generalization with regard to inventories is founded on the fact that, in durable industries, inventories have risen more rapidly than sales and in the face of declining orders; in non-durable industries manufacturers' inventories of finished goods have been rising while inventories of purchased materials have been declining.

Why Deep Depression Is Not In Prospect

If my characterization of the current situation is correct, we should spell out more carefully the reasons for believing that a deep depression is not in prospect. As already noted, in many lines of construction, both in private business and under public jurisdiction, expansion has been deficient rather than excessive. Demand in these lines is not urgent enough to compensate for declines now emerging, but the demand involved is extensive enough to moderate the decline. Businessmen visualize great opportunities in consumer hard lines by making extensive model changes and other adapations to consumer demand and to technological developments.

An interesting case is the showing of the McGraw-Hill Survey that the plans of automobile manufacturers call for a new high in expenditures on tools and dies and other movable equipment in spite of a prospective decline in sales. Brief periods of slackened demand for consumer hard goods may well occur, but inspirational changes in products could bring a quick recovery. In the meantime, the large expenditures for movable equipment by manufacturers will lend support in an expenditure sector where some overexpansion is generally recognized. Also, I think we can take for granted that, if the recession should cumulate into a substantial setback, the government will avoid shackling the expenditure level. If government expenditures are cut, I assume that readjustments will be made in the high tax rates. If the setback is substantial, I assume that government construction will be speeded up somewhat at various government levels where the needs are greatest, as in schools and roads.

It is generally thought that consumer soft lines and services will tend to support high levels and I believe this position to be substantially correct. The demand for apparel of all sorts has been low in reaction to the buying spurt after the Korean incident, and now is about ready to make some recovery. Declines in food expenditures are attributable to falling prices and a major part of the decline to be expected in food prices has already taken place. Expenditures for services will not be cut readily due to the inertia of consumer spending, and the amount spent in 1954 will shrink less than usual because of lag in the price of consumer services.

Stabilizers in the Economy

I have talked only of the strength of expenditures in various sectors of the economy. It is well to note briefly what can be expected with regard to spreading effects. Widely heralded stabilizers in our economy mean that disposable income individuals have to spend will shrink less than income received for work performed. Principally responsible are the high level of income taxes, unemployment insurance benefits and farm price supports. The stabilizers slow down the spreading effects and, with the limited vulnerability to be expected in 1954, they should add to some extent to the limitation of the decline. Credit has often been a major factor responsible for the spreading of business-cycle movements. The use of credit will be more restricted in 1954, than in 1953, but most of this will be a direct effect of decisions not to spend rather than of a spreading effect. In buying fewer durable commodities, consumers will buy less on credit. In levelling off inventories, producers will rely less on the funds obtained by borrowing from banks. But forced liquidation of loans will be relatively limited. In 1929-32 forced loan liquidation was a major factor in the curtailment of demand, arising notably in stockmarket and housing loans.

Debts have expanded a great deal in the postwar period, but in no case do they now appear to be critically vulnerable. Broker loans have not gotten out of line because of regulations put in effect since 1929 and because of a speculative mood substantially different from 1929. The most extensive growth of debt has occurred in house mortgages but these are safeguarded against default by tricks undreamed of in 1929.

Finally, the liquid position of most businesses and consumers assure them of the right to take advantage of a quick bargain when they see it. This is true in spite of the extensive rise which has occurred in prices. Liquid asset holdings are nearly four times their 1940 level while the major price averages are only about double the 1940 level. Liquid assets have greater importance than they are sometimes carelessly assigned. The first requirement of a readjustment is that advantage be taken of buying opportunities. Adequate funds make it much easier to take advantage of such opportunities.

A comprehensive inspection of the general business situation at the present time highlights the critical position occupied by durable goods. My chief function at this meeting has been to point up that fact, and to show how it is related to other business factors. My conclusion is that the severity of any business decline is closely related to the degree of overexpansion which has occurred in producing various types of durable goods.

Halsey, Stuart Group Offer Utility Bonds

A group headed by Halsey, Stuart & Co. Inc. on Nov. 25, offered $20,000,000 Illinois Power Co. first mortgage bonds, 3½% series due 1983, at 102.25%, to yield approximately 3.38%.

Proceeds from the sale of the bonds are to be applied, in part, to payment of bank loans used temporarily to finance construction, and the remainder is to be applied to the cost of new construction. As a result of the additions to the electric generating facilities since 1947, the company now generates about 95% of its requirements, as compared with less than 10% prior to 1947.

The territory served by Illinois Power Company comprises substantial areas in Northern, Central and Southern Illinois. Approximately 77% of its gross is derived from the sale of electricity, approximately 22% from the sale of gas and approximately 1% from steam heating. Among the larger cities which are provided with one or more of these services are East St. Louis, Decatur, Champaign and Urbana.

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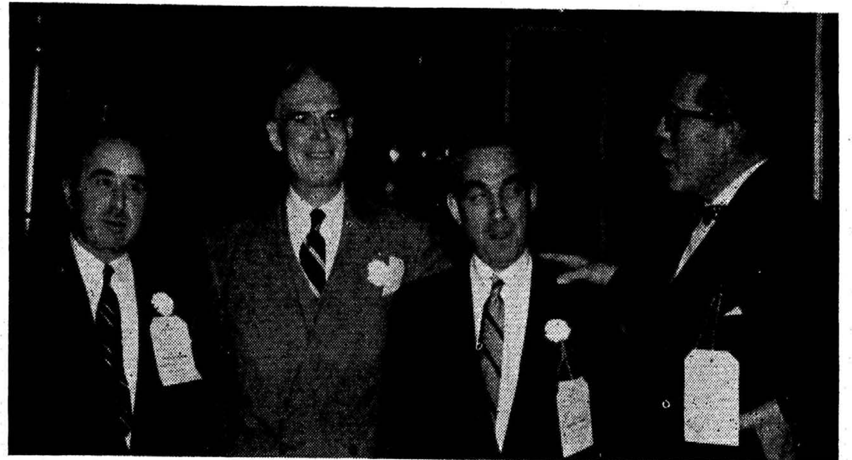

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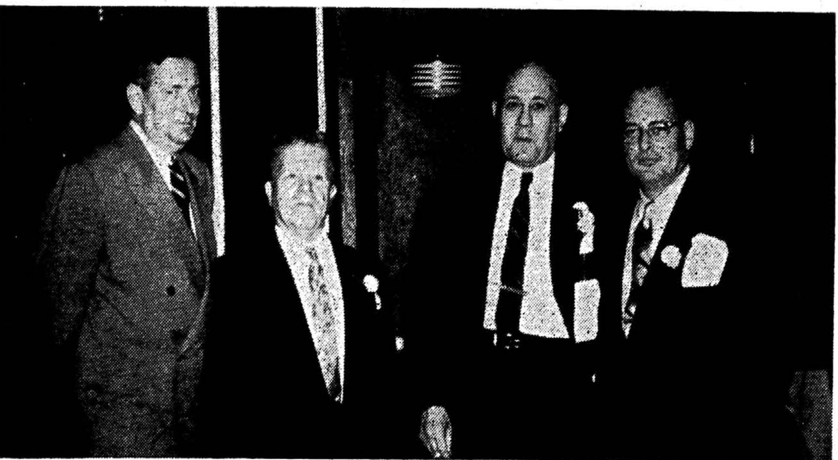

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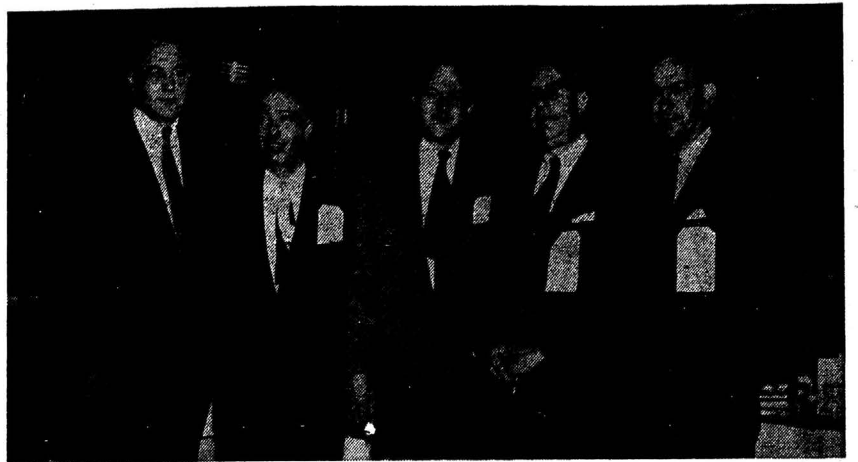
Holds Beefsteak Dinner

Harry Michels, *Allen & Company;* Ed Abele, *Blair, Rollins & Co., Incorporated;* John Heck; Joe Billings, *Cowen & Co.;* Frank Dunne, *Dunne & Co.;* Samuel Weinberg, *S. Weinberg & Co.*

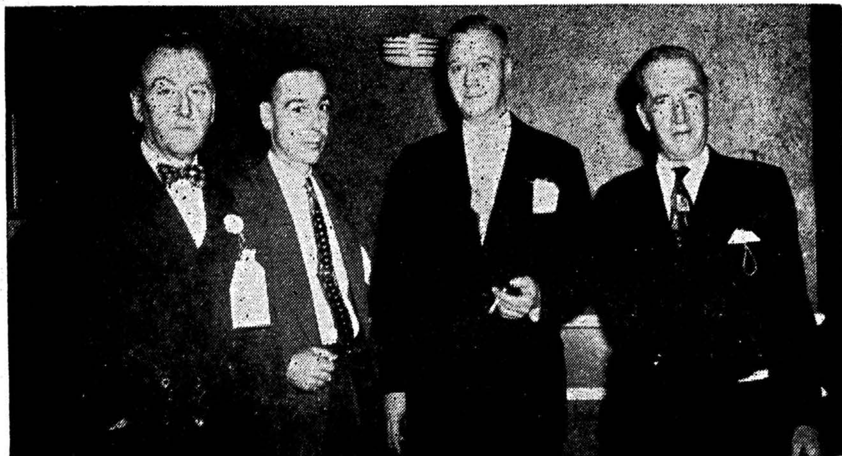


Walter Kane, *Shearson, Hammill & Co.;* Nat Greene, *D. H. Ellis & Co.;* John Ohlandt, Jr., *Eastern Securities, Inc.;* Charlie Ogden, *Ogden, Wechsler & Co.;* Jim Durnin, *H. D. Knox & Co., Inc.*

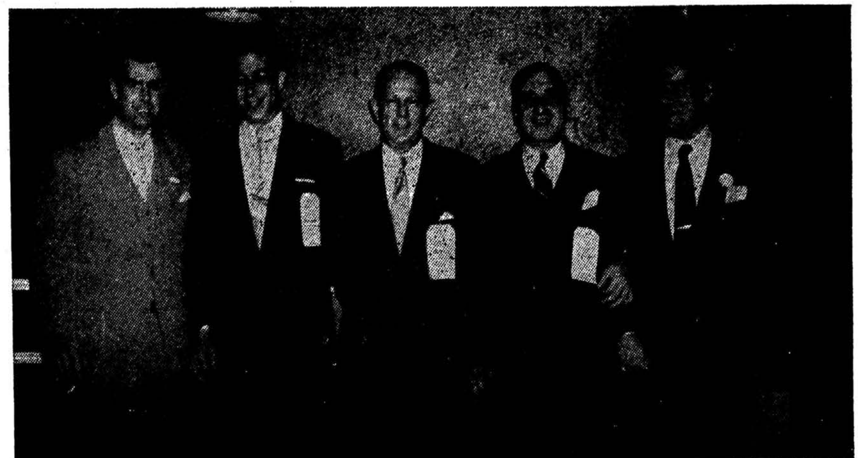
Jack Gertler, *Barr Brothers & Co.;* William O'Connor, *Fitzgerald & Company, Inc.;* Arthur Vare, *Hourwich & Co.*

Henry G. Bruns, *T. L. Watson & Co.;* Frank Pavis, *Chas. E. Quincey & Co.;* Arthur Hamill, *W. E. Hutton & Co.*

Bob Payne, *Burnham and Company;* William V. Frankel, *Wm. V. Frankel & Co., Incorporated;* Sid Siegel, *Siegel & Co.*



Al Frank, *Ladenburg, Thalmann & Co.;* Connie Sheridan, *Mitchell & Company;* Walter Johnson, *G. A. Saxton & Co., Inc.;* Larry Wren, *Allen & Company*



Peter Brochu, *Allen & Company;* Arnold Wechsler, *Ogden Wechsler & Co.;* James Siepser, *Shaskan & Co.;* Michael A. Voccoli, *Savard & Hart;* Sid Jacobs, *Sidney Jacobs Co.*

Gus Schlosser, *Union Securities Corporation;* John F. Reilly, *Burnham and Company;* John C. Calef, *Dominion Securities Corporation*

John Stein, *William V. Frankel & Co., Incorporated;* Joe Morrissey, *Richard J. Buck & Co.;* Paul C. Fredericks, Jr., *Warren W. York & Co., Inc.;* Bill Christopher, *R. W. Pressprich & Co.*

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November 10th at The Antlers

Albert Tyson, *Spencer Trask & Co.;* George Leone, *Leone & Pollack;* Charles F. Bryan, *Spencer Trask & Co.*

Ed Horn, *Kuhn, Loeb & Co.;* Oliver J. Troster, *Troster, Singer & Co.;* Dick Montanye, *Laurence M. Marks & Co.;* Bill McGovern, *Uhlmann & Latshaw*

Saul Golkin, *Golkin & Co.;* Edward L. Chapman, *Spencer Trask & Co.;* Mark Aiello, *Spencer Trask & Co.*

Soren D. Nielsen, *New York Hanseatic Corporation;* Tony Mercovitch, *Laidlaw & Co.;* Edward V. Stryker, *Moore, Leonard & Lynch*

Willie Schmidt, *Laird, Bissell & Meeds;* Carl Marks, *Carl Marks & Co., Inc.*

Roald Morton, *Blue List Publishing Co.;* Dave Callaway, *First of Michigan Corporation;* Louise Spinoso, *hostess at The Antlers;* Lou Gibbs, *Laird, Bissell & Meeds*

Charles Zingraf, *Laurence M. Marks & Co.;* Harry L. Arnold, *Goldman, Sachs & Co.;* Ray Pyle, *Schoellkopf, Hutton & Pomeroy, Inc.;* Gene Cohen, *Joseph Faroll & Co.*

Joe Krasowich, *Bonner & Gregory;* Cy Murphy, *John C. Legg & Company;* Frank McGivney, *Bendix & Co.;* Michael Cappa, *Bendix & Co.*

Joe Cabble, *Burns Bros. & Denton, Inc.;* Jim Campbell, *H. C. Wainwright & Co.;* Fred Terry, *Terry & Company;* Charles Klein, *Granbery, Marache & Co.*

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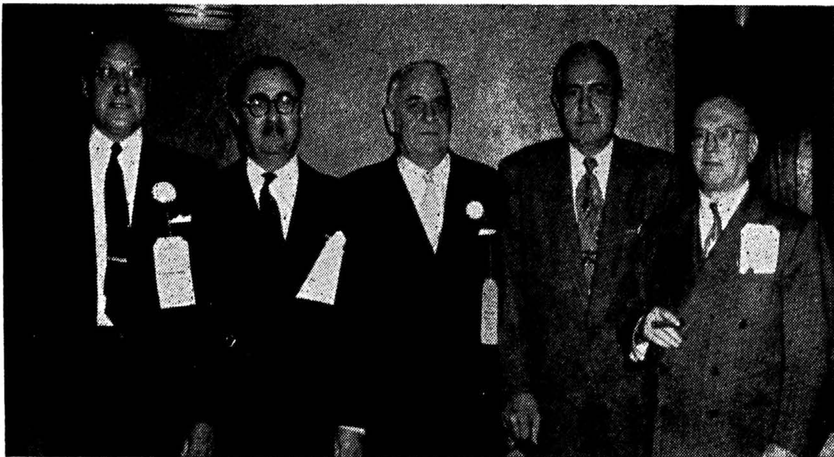
As Pre-Election Get-Together

Bob Frank, *Reinholdt & Gardner;* Peter Barken, *Peter Barken Co.;* Frank Eisas, *The Antlers;* David Goldstein, *Newburger, Loeb & Co.;* Charles Carroll, *The Antlers*

John Mayer, *Merrill Lynch, Pierce, Fenner & Beane;* Bill Wittich, *Grimm & Co.;* Jerry Aal, *Bache & Co.;* Joe Janarelli

Bob Topol, *Greene and Company;* Gerald F. X. Kane, *Frank C. Moore & Co.;* Belmont Towbin, *C. E. Unterberg, Towbin Co.;* Herbert Singer, *Singer, Bean & Mackie, Inc.*

Sam J. Rutberg, *Rutberg & Company, Inc.;* Ed. O'Connell, *C. F. Childs and Company;* Andy Riggio, *Walston & Co.;* Sam Milt, *Eastern Securities, Inc.*



Carl Swensen, *G. H. Walker & Co.;* Mel Wien, *M. S. Wien & Co.;* Dick Shipman, *L. D. Sherman & Co.;* Bill Boggs, *Carl M. Loeb, Rhoades & Co.;* Sam Englander, *Englander & Co.*

George Searight; William T. Maddox, Jr., *Goldman, Sachs & Co.;* Hugh Kilmer, *Hardy & Co.;* Walter Kennedy, *Coffin & Burr, Incorporated*

Henry G. Kuipers, *Lord, Abbett & Co.;* Kenneth Stanford, *F. S. Smithers & Co.;* O. D. Griffin, *J. W. Sparks & Co.;* John Halk, *R. L. Day & Co.;* Chas. Jann, *Estabrook & Co.;* **John Witkowski, *John Witkowski & Co.***

STANY Glee Club (rendering Sweet Adeline)

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NSTA Notes

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

At its annual meeting held Nov. 16, the Security Traders Association of Los Angeles elected the following officers:

John C. Hecht James G. Fraser Robert M. Green J. Foster Paisley

President: John C. Hecht, Dempsey-Tegeler & Co.
Vice-President: James G. Fraser, Stern, Frank, Meyer & Fox.
Secretary: Robert M. Green, Pledger & Co., Inc.
Treasurer: J. Foster Paisley, Weeden & Co.
Board of Governors: Norman Hudson, R. L. Colburn Co.; Charles R. Livingstone, Crowell, Weedon & Co.; and A. Shane McOmber, Revel Miller & Co.

FLORIDA SECURITY DEALERS ASSOCIATION

At its annual meeting in Ponte Vedra, Florida, the Florida Security Dealers Association elected the following new officers:

Clinton T. McCreedy H. George Carrison

President: Clinton T. McCreedy, McCreedy & Cmpany, Inc.
Vice-President: H. George Carrison, Pierce-Carrison Corp.
Secretary-Treasurer: Howard W. Freeman, H. W. Freeman & Co.
Governors: The officers and William M. Courtney, Merrill Lynch, Pierce, Fenner & Beane, Jacksonville; J. Herbert Evans, Beil & Hough, St. Petersburg; Wilson C. Holt, Goodbody & Co., Tampa, and T. Nelson O'Rourke, T. Nelson O'Rourke, Inc., Daytona Beach.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Nov. 19, 1953 is as follows:

Team	Points
Bean (Capt), Bass, Valentine, McGovern, Bradley	35½
Klein (Capt.), Fredericks, Murphy, Weseman, Huff	31
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	31
Krisam (Capt.), Pollack, Cohen, Smith, Strauss	30
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	29
Meyer (Capt), M. Meyer, Frankel, Wechsler, King	22
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	22
Growney (Capt.), Boggs, Siegel, Voccolli, Lienhardt	21½
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	21½
Hunter (Capt.), Brown, Reid, Farrell, Barker	20½
Donadio (Capt.), Craig, Gronick, Bies, Demaye	20
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	16

200 Point Club

Hy Frankel	224-203
Stan Smith	213
Joe Donadio	201

5 Point Club

Jack Manson

The bowling for holiday prizes was won by:

Hy Frankel	408	Nat Krumholz	400
Joe Donadio	406	Ernie Lienhardt	398

HAPPY THANKSGIVING!

Speer & Co. Opens

SANTA FE, N. Mex.—Speer & Co. has been formed with offices at 970 Acequia Madre to engage in a securities business.

Two With Williston, Bruce

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Ahston L. Goddard and Peter J. F. Madsen have become associated with J. R. Williston, Bruce & Co., 631 Seventy-first Street.

Yarlott Royalty Co.

SIDNEY, Mont.—M. A. Yarlott is engaging in a securities business under the name of Yarlott Royalty Co. from offices at 412 East Peer Street.

Leo C. Toliver Opens

WASHINGTON, D. C.—Leo C. Toliver is engaging in a securities business from offices at 329 Shepherd Street, N. W.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The tone of the government market continues to be favorable despite the cross currents that develop when major operations are being conducted by the Treasury. This may be attributed to the skillful way in which the government handled the December refunding and to the condition of the money market which has been kept on the easy side by the monetary authorities. Likewise, some of the reports that have been coming into the financial district indicate loans in certain areas appear to have turned down. This has brought out-of-town banks into the market for government securities, with the higher coupon issues being most in demand.

Refunding Handled Adroitly

The adroit manner in which the 2⅛s of Dec. 1 were taken care of has instilled confidence in buyers of government securities. The flexible policy of Federal toward the money market seems to indicate a favorable trend for prices of government obligations. However, this most likely means there will be interference now and then to prevent quotations from getting out of hand in either direction.

The very good reception that was given the Treasury refunding had a beneficial effect upon the money markets. The demand that had been on the sidelines awaiting the terms of the Dec. 1 operation lost very little time getting back into the market after the announcement was made by the Treasury. It is the opinion of money market specialists that the December refunding was a smart operation and the Treasury, through the "option deal," offered holders of the maturing notes securities that met the needs of the various owners of the December 2⅛s.

Strong Demand for New 2¾s

The recently offered 2¾s of 1961 are still in the process of being digested, but according to reports this obligation continues to move into strong hands. It is indicated that the institutional demand for this bond is still sizable even though there may be some hesitancy here and there about stepping up quotations in order to acquire the needed amounts. The floating supply, however, is believed to be large enough to guard against a too rapid price rise.

The out-of-town commercial banks, according to advices, have been among the important buyers of the 2¾s, with the Pacific Coast and the Southwestern institutions the leaders. Some of these acquisitions have been new money commitments, with a not unimportant amount coming from the sale of short-term securities. It is also reported that these same banks have turned in their Dec. 1 notes mainly for the 2½s of 1958. The lengthening of maturities appears to appeal to these institutions since it is reported that the demand for funds for loans has been on the decline. There have also been reports of purchases of the 3¼s of 1978/83 by the smaller commercial banks because the need to maintain income is getting to be more of a problem for these institutions since the loan demand among some of these banks has turned definitely downward.

Trades for Tax Purposes Increasing

There have been reports of some fairly sizable orders in the market for the longest Treasury issue with the consummation of some of these deals being contingent upon the sale of similar blocks of the 2½% bonds that run from 1964/69 through 1967/72. These operations are tax switches and it is reported that a number of the same kind of trades will have to be worked out before the end of the year. The commercial banks have in some instances been making moves out of the 2½s due Sept. 15, 1967/72 with the proceeds being invested largely in the 2¾s due 1961.

There are also reports of a rather important interest being shown in the intermediate term maturities that are still selling at a discount, with the 1½% due 4/1/58 being one of the favored issues. The 2¼s 1959/62 seem to have come back into the picture with reports of some important purchases being made in these two securities.

Short-Term Market Active

The short-term market is still a very active one with considerable volume being generated in this section because of the swops from the shortest maturities into the intermediates and longs, and the purchases of the most liquid issues by those that must have short-term obligations. Corporations and commercial banks are the most important factors in this part of the government list.

The government market got an assist from both the corporate and municipal markets because of the quick sell-out of the Garden State Parkway obligations and the indicated successful flotation of the General Motors Corporation bonds in early December. It is evident that there is a large demand around for securities when they are priced right and this goes for governments as well as other obligations. A favorable money market is, of course, an important factor.

Eastern Pa. IBA Group Elect Officers

PHILADELPHIA, Pa. — The Eastern Pennsylvania Group of the Investment Bankers Association of America have elected William K. Barclay, Jr., Stein Bros. & Boyce, Chairman. Other officers elected are Alfred Rauscher, Kidder, Peabody & Co., Vice-Chairman; John Bunn, Jr., Bioren & Co., Secretary-Treasurer. Elected members of the Executive Committee were R. Victor Mosley, Stroud & Company, Incorporated; Lawrence Stevens, Hemphill, Noyes & Co.; and William Z. Suplee, Suplee, Yeatman & Co.

Wm. K. Barclay, Jr.

O'Neill to Be Partner In Whitehouse & Co.

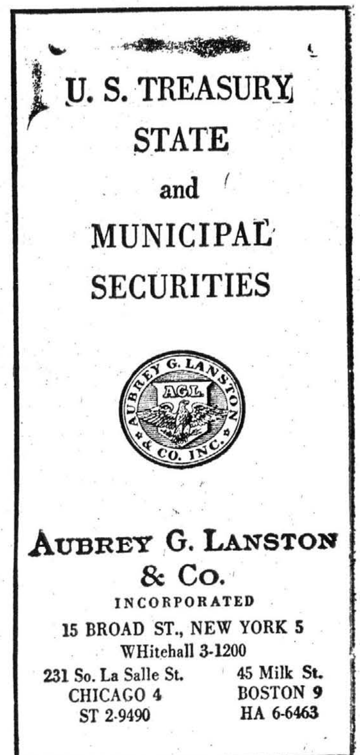
Martin A. O'Neill will become a partner in Whitehouse & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1, it has been reported. Mr. O'Neill is a partner in Hendrickson & Co.

August J. Hoffer, also a partner in Hendrickson & Co., will also join the Whitehouse & Co., staff. It is understood that Joseph A. McGarry, member of the American Stock Exchange, and W. Colford Anderson, member of the New York Stock Exchange, who are partners in Hendrickson & Co., will continue as individual brokers.

New York Stock Exch. Weekly Firm Changes

On Dec. 3 the New York Stock Exchange will consider the transfer of the Exchange membership of Allan C. House to Latham W. Murfey, and of Edward L. Jephson to George Stewart.

Boody, McLellan & Co. will be dissolved as of Nov. 30.



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British Reaction to Economist's Prediction of Another U. S. Slump

By PAUL EINZIG

Dr. Einzig in commenting on recent articles in the Manchester "Guardian" by a prominent British economist, Colin Clark, says best opinion in Britain runs to the contrary. Cites recent situation in U. S. which would indicate there is no likelihood of severe depression as occurred in the 1930's.

LONDON, Eng. — Two articles appearing mid-November in the Manchester "Guardian" by Colin Clark, one of the best-known British economists, aroused considerable attention because of the profound pessimism of his conclusions. He is firmly convinced that the experience of the early 'thirties will repeat itself in the United States. He marshalls up an impressive array of arguments in an effort to prove that the American business position is identical with that prevailing on the eve of the great slump. In spite of his considerable authority and the convincing force of some of his arguments he has failed, however, to make our flesh creep. With very few exceptions all British expert comments on his articles entirely disagree with him, so that the result of his forecast of doom was the publication of a number of firmly optimistic comments about the American outlook.

Dr. Paul Einzig

Financial editors and others have pointed out that the situation today is fundamentally different from that of 1929. The American economy is not nearly as vulnerable as it was 24 years ago when a non-stop boom had raised prices in Wall Street to a dangerously high level; when American speculators, farmers and industrialists were heavily indebted; and when the banking situation was unsound to a considerable degree. It is pointed out that security prices have declined within the last two years to a level at which they are no longer exposed to a disastrous slump. The recent extent of speculation with the aid of borrowed money is considered negligible and the degree of the indebtedness of farmers and the business community is relatively moderate. As for the banking situation, it is incomparably sounder than it was after the Wall Street slump. Moreover, the operation of the bank depositary insurance scheme has removed the likelihood of a general run on banks as a result of such isolated bank failures as may occur. There is no need to fear unduly the cumulative effect of any Stock Exchange slump and bank failures in existing circumstances.

What is equally important, the United States authorities are today incomparably better prepared for dealing with a slump long before it gets out of control. It is now widely assumed in London that at the first sight of a serious recession the Washington Administration would not hesitate to put into operation very far-reaching anti-deflationary devices. After the Wall Street slump it took 3½ years before a really effective attempt was made to check the movement. By that time it was very difficult to make an impression in face of the irresistible downward pressure. It is now assumed that this time there would be no delay or hesitation, because the United States Government is fully aware what is at stake. A slump comparable with that of the 'thirties will not only bring economic disaster to the United States and the rest of the free world but would also entail incalculable political consequences both in the domestic and in the international sphere. The Republican Party would become utterly discredited and so would be the capitalist system itself. Communists all over the world would take full advantage of the situation, and even in the absence of armed invasion would succeed in undermining democratic regimes in many countries.

It is widely realized that to avoid this is worth almost any sacrifices. If the price has to be paid in the form of continued inflation that price is considered to be well worth paying. This at any rate is the feeling on this side of the Atlantic, and those British politicians, officials, businessmen and journalists who had an opportunity recently to exchange views with their American opposite numbers have the impression that the American attitude largely inspired by the same considerations.

As far as Britain is concerned the position is not nearly as vulnerable as it was 24 years ago. In 1929 there was a good deal of stock exchange gambling in Britain, though its extent was not comparable to that of gambling in the United States. The banking situation is now not exposed to shocks similar to that of the freezing of German and other Central European credits in 1931. It is true the threat of heavy withdrawals of foreign-owned sterling balances which forced Britain off the gold standard 22 years ago exists also today. By far the larger part of sterling balances are held, however, by sterling area countries and part of their holdings is subject to blocking arrangements.

Above all, the basic economic situation in Britain today is much stronger. During the '20s the number of unemployed seldom declined below 1½ million and the slump that followed the Wall Street crisis raised this number to well over two million. Today unemployment in Britain is negligible and even an increase by some hundreds of thousands would not create an intolerable situation.

In Britain too the government is better prepared to meet the emergency than it was on the last occasion. Instead of accentuating the depression by means of an ill-advised and ill-timed economy drive, the government would resort to reflationary measures such as the release of the £600 million of post-war credits, the repayment of which is held back with that object in mind. Public works would be undertaken immediately to absorb the unemployed. The entire problem would be approached in a totally different spirit than it was on the last occasion. In the meantime the teachings of Keynes have penetrated deep into the consciousness of British politicians, officials and experts. Even though during the prolonged inflation his reputation suffered the moment the dangers of a deflation is realized. His posthumous influence would then make itself felt.

Even so it is realized in London that the economic destinies of Britain, as those of other countries outside the Communist group, are closely linked with the business situation in the United States. There is no undue pessimism over here in that respect. In spite of Colin Clark's gloomy prophesies the future is envisaged with guarded optimism.

Trinity College Gets "Chronicle" Set

Mrs. Blanche J. Gibson, widow of Thomas Gibson, financial writer, donates volumes dating from 1839 to 1939 to Connecticut institution.

It has been announced that Mrs. Blanche J. Gibson of Summit, N. J., as a memorial for her late husband, Thomas Gibson, financial writer and stock market economist, has donated to the Trinity College Library, Hartford, Conn., a complete bound set of *The Commercial and Financial Chronicle* from its first issue in 1865 through 1939, including the "Supplements" and the annual "Financial Reviews." In addition, the gift comprises a run of "Hunt's Merchant's Magazine and Commercial Review," the predecessor of the *"Chronicle,"* from the first volume issued in 1839 through 1867. Subscribers to the *"Chronicle"* and others will find this collection of journals, which provide a financial history of the United States from 1839 to 1939, of interest and assistance to them in financial research. Information regarding the collection may be obtained by communicating with Mr. Donald B. Engley, Librarian of Trinity College, Hartford 6, Conn.

The late Thomas Gibson was a pioneer among stock market analysts and for a number of years conducted an investment service in New York City. He was the author of several books, among which was one entitled "The Pitfalls of Speculation."

With Ranson Davidson

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Peter B. Sholley has joined the staff of The Ranson-Davidson Company, Inc., Florida National Bank Building.

With Hess Investment Co.

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Merlin D. Shrier has become affiliated with Hess Investment Company, Illinois State Bank Building.

With Richard J. Buck Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Russell G. Amsden has joined the staff of Richard J. Buck & Co., Statler Office Building.

P. W. Brooks Adds

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Thomas H. Adams has been added to the staff of P. W. Brooks & Co., Inc., 1562 Main Street.

Joins Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

MASCOUTAH, Ill.—George H. Liebig is with Slayton & Co., Inc. of St. Louis.

With Fahey, Clark Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Carter J. McCloy is now with Fahey, Clark & Co., Union Commerce Building, members of the Midwest Stock Exchange. He was previously with The Weil, Roth & Irving Co.

LETTER TO THE EDITOR:

Treasury Competition For Foreign Gold

G. F. Bauer, commenting on recent article by Dr. Paul Einzig on "agitation for so-called free gold market," urges $35 gold price for both individuals and central banks.

Editor, Commercial and Financial Chronicle:

It was interesting to read the article on "The Gold Mine Slump" by Dr. Paul Einzig, as it recalls the agitation for the so-called "free gold market."

George F. Bauer

It may be remembered that the proposals then were to have U. S. Government buy—but not sell—gold at $35 per ounce abroad, but to allow private gold sales outside of the U. S. at whatever prices the precious metal brought.

Some of the prices presented abroad as most luring were calculated by converting the local currency in which the gold was sold into dollars—not at the black market value of the foreign currency, but at the unnatural valuation put on it by the International Monetary Fund.

Gold sold in rupees in India would naturally be priced higher in dollars, if the official valuation were 21 cents per rupee, than if the rupee were appraised at its miscalled "black market" value of 17 cents.

It can be appreciated that prices for gold in foreign countries were highly attractive to miners if the official rate were used in converting foreign currencies into dollars, and less so if the "black market" rates applied.

Now it seems the price individuals will pay for gold in Europe is down to $35.70 an ounce. Perhaps it is lower; it all depends on what exchange rates were used to convert the foreign currencies into dollars. Were they the Fund's rates or the black market rates?

Formerly there was a wish by miners for the privilege to sell their gold at the higher prices obtained from individuals abroad, but not have our Treasury compete by offering it at $35 per ounce to individuals.

The question that may soon require an answer if the individual's price for gold abroad drops to less than $35 per ounce, is: "Should our Treasury in this case also not compete in buying the gold which foreign individuals—not foreign central banks—offer at less than $35 per ounce?"

The Treasury Should Not Compete

The answer to be consistent with the attitude formerly taken, but now in reverse, ought to be: "The Treasury should not compete in buying the individual's gold, but let it sink to any level determined by supply and demand in the so-called free gold markets."

Such an answer would not, however, be that of those who believe in fixity of our value standard at $35 per ounce of gold, and that there should be no difference in the price our Treasury sells gold to or buys from, both individuals and central banks.

Perhaps the miners, who have wanted the so-called "free gold markets" while individuals, unable to obtain gold from central banks, were willing to pay a premium for it, may now ally themselves with those who want a full-fledged gold standard under which the dollar is a title for any holder of 1/35th of an ounce of gold and an ounce of gold is a title for any holder to $35.

Upon achievement of that goal, miners would have a better opportunity of harnessing production costs, which would be expressed in sound dollars, than they have today when the price of their product is fixed at $35 per ounce but prices of goods and services entering into operations of their enterprises mount under the corroding effect of our present irredeemable currency.

GEORGE F. BAUER
Vice-Chairman, New York Board of Trade.

Nov. 16, 1953.

Brooks D. Weber With First California

Brooks D. Weber

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Brooks D. Weber has become associated with First California Company, 300 Montgomery Street. Mr. Weber was formerly a partner in Davies & Co.

Ben J. Stevenson has also been added to the First California Company's staff.

Blyth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — William W. Vosper has joined the staff of Blyth & Co., Inc., Russ Building.

Three With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Robert E. Henderson, Fred H. Huie and Andrew F. Scatena have become connected with E. F. Hutton & Company, 160 Montgomery Street.

Two Join Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Eugene L. Bray and Jay E. Gibson are now with Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges.

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Gerald H. Blagborne is now with Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

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Continued from page 5

The "Tough Going" In the Auto Industry

mobiles are sold by prospecting in person or by phone, and by demonstration. Dealers can't be storekeepers waiting for some one to come in and buy. And they can't create demand at a fair price simply by advertising that they will cut prices or allow a better deal than anyone else in the business can afford to give. That isn't creating demand, nor adding value in the prospect's eyes to what you have to sell! These merchandising tactics, as you gentlemen well know, are hopelessly inadequate substitutes for efficient marketing.

The fact that industry's distribution system, which is the conveyor belt between production and consumption, buckled within a matter of months after production was freed from war restraints, is of the utmost importance to you men. You and the 375 independent sales finance companies you represent are a vital part of this distribution or conveyor system.

Finance is the system's lubrication, you might say. I have often heard financing referred to as a service, which implies that it is a separate thing. To me it is an integral part and the figures bear me out. They show that on the average 85% of the paper you handle is automobile paper. They also show that 60% of new car consumer sales and 75% of used car consumer sales are financed. Your wholesale financing for dealers is on an even larger scale.

This participation gives you a responsibility and an opportunity in the industry second to none. Your dollars are as much a part of the merchandising of automobiles as the dealers' showrooms or the factory advertising.

Don't "Sit Out" the Current Situation

You can't sit the current period of adjustment out any more than a dealer can. I know some dealers who think they can sit it out. Their idea is to pull in their horns, cut their selling effort and live on service. They'll find when the adjustment is over that someone else—perhaps younger, hungrier and more aggressive—has gotten a big piece of their share of the business while they were in the storm cellar.

I have seen evidence that some finance companies are taking the same attitude. Now that the going is tough they want to work with only the best financed dealers. But, gentlemen, I'd like humbly to raise the question, will such a policy assure them of having the best customer in 1955? Aren't there factors other than the balance sheet to be considered in selecting the dealers you will work with?

In answering that question, it seems to me that you want the same thing that the automobile producer wants in a dealer. Obviously, the dealer who is going to sell the most cars is the one who will generate the most installment paper. That dealer is going to be the one with ambition, marketing ability, and industry. All the capital in the world is no substitute for those qualities.

You are interested, too, in the franchise the dealer has and what the policies of the factory behind the franchise are. Does the factory have a program to help build its dealers and their business? Additionally, you want dealers who are cooperative just as the factory does. You want dealers who will accept merchandising help and merchandise your service as well as cars—dealers who expect to sell you their profitable retail paper as well as use your dollars for their own floor planning. These are the kind of dealers who will build your business and become lasting customers for you just as they will for the automobile manufacturer.

All of us have been in a sellers' market. Neither you nor we have had to concern ourselves too much with the intangibles that comprise the difference between a good dealer and a poor one. In recent years almost any dealer was a good risk. But in 1954 the ability and will to work, to go places, is what will count. Many of the men who have these qualifications are the younger dealers who haven't been able to accumulate strong capital cushions because of high taxes. But they will be the backbone of the business in the future. They will be the leaders in 1955 when the ones who sit it out by choice in 1954 will find they have lost their front position, and not by choice.

I think I have talked enough and perhaps too much about your phase of the business. So I will return to my own. I have said that we are in the trough of an adjustment period. That applies to other industries as well as automobiles. By 1955 I believe we will be through the adjustment. This year the automobile industry will make and sell six million cars. I think it will do at least five million next year.

At the moment there is a good deal of calamity howling. That is natural because of the severe impact of the vertical rise in production which followed the abrupt lifting of government controls. The production picture is already becoming more rational. Next year, I believe you will see it follow a more orderly pattern.

Automobile factories are certainly not interested in putting their dealers out of business and they know as a continuing thing dealers must make a profit to stay in business. There is also, as you know, extremely keen competition among factories for able dealers. No dealer needs to go on for long accepting cars to turn them over at no profit just so a factory can maintain production.

Auto Producing Capacity Not Too High

Over the longer range, I think we will find that the capacity in the automobile industry and most other consumer durable industries is low rather than high. The explosive population growth which has been in progress since 1940 and which is gaining rather than lessening has tremendous economic implications. Our population recently passed the 160 million mark, an increase of eight million in the three years since the Korean war started. Projections of the Census Bureau indicate that there will be 176 million people and six to seven million more families in the United States by 1960.

The automobile industry will share fully in the general expansion that such growth inevitably will bring. My confidence stems from several factors.

First, the automobile still leads the wanted list of every young man and every family. It comes even before the desire for home ownership. There is sound reason for this. The automobile no longer is a luxury for most families. Usage surveys indicate that 63% of trips by auto are for purposes of going to work or for business. Shopping also accounts for a high percentage of trips. As we decentralize industry and residences, these essential uses steadily grow.

Second is the steady increase in two-car families. Already one out of nine car owners has more than one car.

Third is the fact that annual average mileage per automobile has tended recently to decline slightly. This is due primarily to poor road and congested traffic conditions. There will be progressive improvement in these factors in the near future. A vigorous better roads program has been organized and most state and local governments are planning extensive improvements.

Fourth is the current low scrapping rate for old cars. Most recent figures (1951) indicate that the average life of vehicles scrapped is 14 years compared with 10.2 years in 1941. Accumulated service on scrapped cars has risen to 121,000 miles from 85,500 miles in 1941.

Now let's get back to where you and I come into the picture. As I said earlier, both of us are independents. Both of us must compete against corporate giants. To do so successfully, we must stay lean and hard. We must be fast on our feet and adaptable to meet changing conditions.

You prosper because you can fit yourselves better to local conditions and to the needs of individual dealers. You give a complete service, taking wholesale paper and the run of consumer paper. You are not principally concerned with new car and late model used car financing. From a practical standpoint, you function almost as a partner of the dealer, even though that, of course, is not your legal relationship. It is, however, the kind of relationship which does most for you and for the dealer.

I was gratified to learn that sales finance companies have approximately quadrupled their capital position since 1940. You have kept yourselves abreast of the drop in the buying power of the dollar and the rise in the sales of consumer durables. To me this means you are in a position to do your full part in the big distribution job we have ahead.

I believe you can be of the greatest assistance in meeting the present need of many new but able dealers for more financial help in the current adjustment period. I am sure that if you and the independent manufacturers and dealers work together both will benefit substantially.

Recession "Grossly Exaggerated"

Finally I would like to say that I believe the recession being so widely heralded as due in 1954 is being grossly exaggerated. Experience indicates that anything so universally anticipated usually fails to come up to expectations.

It is a curious thing but a recent survey showed that out of several hundred businessmen questioned, everybody was expecting the other fellow's business to drop in 1954 but expecting his own to rise. Try to add that up. I don't mean to make light of the obvious fact that the economy has tapered off somewhat from the peaks of last spring. But I do think there is an undue amount of apprehension. We must remember that the power to buy and production are functions of each other. When one exists so does the other. From all available statistics, there certainly hasn't been and isn't a shortage of buying power.

In October employment exceeded 62 million persons. Personal income was running at an annual rate of $286 billion. Despite tremendous buying, personal savings continued high and were running at an annual rate of $17 billion.

Two additional facts strike me as very significant. One, individual income taxes and corporate taxes are coming down next year. Two, the money market is already loosening up after its stringency of last spring and summer. I find it difficult, if not impossible, to reconcile these conditions with forecasts of serious recession. As I see it, there is every reason to expect business to remain very good by any but boom time standards.

Our one big weakness is in distribution, the conveyor belt between production and consumption. The newer generation of businessmen must learn the art of distribution and the older generation must relearn it. This is anything but an insurmountable task. I am sure that it will be accomplished and in good time. Production was not found wanting when it was up against the gun in World War II and immediately after Korea. Distribution will not long be found wanting now that the economy is free, supplies are abundant, and there is both need and opportunity for initiative, imagination and energy in selling.

American industry has been asking for a free competitive economy for a long time. Now we have it. On the one side we have the biggest and finest physical plant ever possessed by any nation and the largest most skilled work force in our history. On the other side, we have the American people who, as consumers, have an insatiable appetite for a higher standard of living. There never was a more favorable time for enterprise, which is just as important as the word "private" in the private enterprise system we all talk about. Right now the great area where enterprise is needed is distribution in all its aspects—from designing sales features into our products through advertising, promotion, salesmanship and consumer financing.

That is the challenge to American business today. Our opportunity has never been more favorable; the stakes have never been higher. Let's accept the challenge with faith and confidence in ourselves and our free economic system.

Railroad Securities

Chesapeake & Ohio

Favorable dividend news continued to highlight the railroad section of the securities market. Holders of Nickel Plate common last week had their patience rewarded with a boost in the regular quarterly rate from $0.50 a share to $0.75 a share. This action had been forecast by the action of the stock in the preceding week, although most analysts expected that actual declaration, after a number of earlier disappointments, would result in further strength. Even with the price rise the stock still yields 8.33%, a most liberal return for a stock of this caliber. On the same day last week directors of Gulf, Mobile & Ohio declared an extra dividend of $0.50 a share on the common, as well as the regular $0.50 for each of the next two quarters. This is the first extra ever declared by the company. And on Tuesday of this week, Santa Fe voted $2 extra on the common, also quarterly payment of $1.25. Furthermore, it is widely expected that Lehigh Valley will be on a dividend basis. If so, it will mark the first distribution since 1931.

As has been stressed repeatedly in this column, regardless of what investors and speculators may think about the prospects for railroad traffic and earnings, management has been showing a large degree of confidence in the future by the widespread liberalization of dividend distributions.

While dividends are going up there is every indication that earnings for most of the railroads individually, and for the industry as a whole, will be lower for October, 1953, than for a year earlier. Percentagewise the decline is not expected to be so wide as in September, and early reports indicate that there will be a significant number of roads that will resist the trend. Chesapeake & Ohio is one of these exceptions, having suffered last October from one of the periodic coal "holidays" that lasted 10 days. This year there have been no labor troubles in the coal fields. Chesapeake & & Ohio's gross revenues in October were nearly $4 million higher than they were a year ago. Half of this gain was absorbed by the rise in income taxes and, while the ratios were lower, the actual dollar amount of operating expenses was up a little more than $1 million. Reflecting the heavier coal movement the credit for hire of equipment was also larger. Net income, therefore, was up $1,-656,000 and share earnings increased to $0.58 compared with $0.21 in October, 1952.

While the favorable results for October may have been due largely to last year's coal strike, the improvement in earnings for the 10 months as a whole took place despite a drop in traffic and revenues. The gain for the period was due almost entirely to the improvement in operating efficiency. Being to a large extent a coal road, C & O was rather slow in getting into dieselization. Once it started, however, the dieselization progressed rapidly and as of the present time practically all of the freight service, except for that directly in the coal fields, is handled by the new motive power. Also, the company has been one of the pioneers in the field of yard improvements, an important factor in controlling operating costs.

For the 10 months through October, revenues were off by close to $1 million. This reflected the difference between a drop of some $13 million in coal and coke revenues and an increase of $12 million in merchandise freight receipts — these figures spotlight the gradual, but consistent, diversification in the company's business. Although revenues were off, the transportation ratio was pared almost a point and the overall operating ratio was reduced from 72.2% to 69.8%. Share earnings for the period amounted to $5.03 against $4.32 a year earlier. Earnings in the final two months will probably run under those of a year ago but even at that the full year should witness close to $6.00 a share, the best year in recent history.

Tax Institute Symposium To Be Held Dec. 3-4

PRINCETON, N. J.—The Tax Institute, Incorporated, will hold a symposium Dec. 3-4 at the Princeton Inn. Sessions will cover "Background Considerations"; "Federal Aid and State Aid"; "Conflicts of Jurisdiction"; "Segregation of Revenue Sources," and "Potentialities of Cooperation."

Registration fee, exclusive of luncheons, is $5; reservations for each luncheon, $3.

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Can We Talk Ourselves Into a Depression?

By KENNETH K. DU VALL*
President, Merchandise National Bank of Chicago

Midwestern banker, commenting on warnings of a coming depression, points out since 1946 we have had ample evidence that state of business depends more on "real" conditions, such as individual wants, condition of inventories, tax and spending policies of government, than on hopes and fears of individuals or business managers. Admits our economy has been operating under a forced draft and holds prevalent short-term outlook is concerned with: (1) over-production; (2) growth of private indebtedness; (3) burdensome inventories; and (4) reduction in farm income. Concludes, though present Administration will recognize its responsibility in easing adjustments, its ability to do so can be questioned.

Surely "The Outlook for Business" is of especial interest at this particular juncture in history and at this particular season of the year. Americans have become increasingly addicted to economics with the result that all of us are keenly aware of the manifold problems that beset mankind in his quest for a living. How else explain the present widespread concern for the future coming, as it does, at a time of unprecedented prosperity? The September issue of the Illinois "Business Review" described our current predicament in these words: "The economy continues to boom along. Income keeps pushing to new peaks, and anyone who wants a share in this record-breaking income has little difficulty in finding work — so unemployment is at an irreducible low. In all this, the pessimist finds little room for satisfaction. To him, it merely means that we now have just that much further to fall. What is strange about the situation is not that we have pessimists but that we have so many of them. We seem again engulfed in one of those waves of sentiment that sweep the economy with little relation to the realities of what is taking place. Among those who comment on the business outlook, there is again virtual unanimity in warnings of trouble ahead."

Kenneth K. DuVall

Fears and Facts

Now I will readily subscribe to the view that our nation is periodically swept by waves of emotion that often are not justified by the course of events. As a group we Americans are quite prone, at one time, to be breezily optimistic and, at another, to be deeply pessimistic. Almost everyone, on a number of occasions since World War II, has expected a "post-war" recession. That none has occurred is probably the reason why all forecasters have become increasingly careful to avoid taking a very positive stand. Back in 1946, the huge drop in government spending was expected to produce a recession of some proportions. In early 1946, it was estimated that unemployment of around 8,000,000 would most certainly develop. However, widespread fears at that time had little effect on business and a new boom developed. On several similar occasions since 1946 we have had ample evidence that the state of business depends more on so-called "real" conditions, such as the wants of individuals, the state of inventories or the tax and spending policies of the government than on the hopes and fears of individuals or business mangers.

For this reason I do not agree with those who currently have been voicing the fear that we may talk ourselves into a depression. You simply don't develop depressions by voicing fear of them. Important as the human behavior aspects of the problem may be, such aspects are largely imponderable and, in the long run, will be outweighed by the economic facts of life. It is far more sound for us to marshall the many economic facts of life available at a given time and try properly to evaluate them.

Some 14 years ago in the year 1939 an end came to the dismal, prolonged depression of the 1930s. A boom began. War, breaking out in Europe and spreading throughout the world, solved the staggering problems of mass unemployment and widespread economic stagnation. The boom begun in 1939 has continued without a major interruption up to the present. As a result, the longest continuing period of prosperity on record has been experienced. Ominously, it seems to me, the war that started in 1939, like the boom it touched off, has likewise continued — insofar as the economy of the world is concerned—without major interruption up to the present. That there is a direct connection between the two—the boom and the war—no one would deny. Whether or not the boom could or would continue if war were to be replaced by the prospect of prolonged peace is a pertinent question to be faced now with the cessation of hostilities in Korea.

Economy Under a Forced Draft

For 14 years the economy of the United States has operated under a forced draft. Whenever the economy has tended to slow down, as it did in the fall of 1948 and spring of 1949, war and preparation for war again fanned the flames of inflation into a bright glow and the boom took on new life. Why should this be so? It is so because of the uniquely inflationary impact of war-time production upon the economy. Such production results in the payment of wages to a segment of the population that cannot consume any part of its own production, that is, war planes, tanks, ammunition, etc. As a net result, the potential demand for goods (wages) is increased without any increase in the supply of goods. When demand consistently and steadily out-runs supply, there is an ever present upward pressure on prices. Rising prices are a powerful stimulant. This stimulant has long been affecting our economy and the economy of the Western world.

Let us take a look at the military spending going on at this time. Using round figures — so vast in themselves that close accuracy is scarcely needed — current expenditures of the Federal Government for military purposes are approximately $48 billion per annum—a figure to be weighed against annual production of all goods and services estimated at $370 billion. Surely reducing the $48 billion, say, even as much as one-third should not be too disturbing to an economy measured in terms of $370 billion. It might therefore be concluded with considerable assurance that we need not fear the likelihood of the stimulant to which I have referred being abruptly or completely withdrawn from the economy for some time to come.

Can We Afford Peace?

Reassuring as this may be, it might be observed that no one knows how long the effects of any stimulant will be felt unless the dosage is constantly increased. Herein, of course, lies the case for the cynic who says that peace has now become the one thing we cannot afford. To such cynics it might be answered that the prospect for a prolonged period of peace is, unfortunately, the one thing the next decade is least apt to bring.

If spending for war and preparation for war has kept our economy under forced draft and if there is but little present prospect of this stimulant being withdrawn —why then does concern over the business outlook persist? Concern for the short-run outlook is more prevalent than concern for the long-run outlook. Presently such concern stems from four main sources, namely: (1) over-production; (2) growth of private indebtedness; (3) burdensome inventories; and (4) reduction in farm income.

As we look at each of these factors at close range we can observe why they are regarded as threats to the short-run outlook though not necessarily threats to the long-run outlook. With the possible exception of reduced farm income, the other problems could solve themselves with the passage of a reasonably short period of time. Over-production in automobiles, for example, is a problem that will solve itself if production be curtailed at a time when cars are being used up at a rapid rate. Burdensome debt, particularly in the consumer areas, cures itself under conditions of full employment by the temporary withdrawal of the debt-laden individual from the market. Burdensome inventories will soon cease to be burdensome under conditions of current high consumption. Even the reduction in farm incomes is a condition that tends to cure itself in any circumstances resembling a free—as contrasted to controlled—economy.

Admittedly, if only one or two and not all four of the listed causes of present concern had to be faced, the outlook could be viewed with more complacency. What no one knows and everyone has reason to fear is the combined impact of multiple adjustments taking place simultaneously and the cumulative effect of such adjustments on areas of the economy not presently considered sources of concern. I refer now to residential housing starts and capital expenditures of business. Despite record building of residential units and industrial plants, present prospects for continued activity in these sectors of the economy appear to be good. But plans can and will be changed, or at least postponed, if the general economy shows signs of weakness judged to be grave.

Facing Problems in 1954

If—as seems to me to be reasonably certain—the economy faces problems of adjustment in 1954—what is there to be done about it? Will and can the Federal Government take effective corrective measures in the face of a serious slow-down? These are good questions. In my opinion, there is not the slightest reason to doubt that the present Administration in Washington will fail to recognize its responsibility. On the other hand, there is some reason to doubt that government will know when to act or know what to do.

In charging the Federal Government with responsibility for full employment and, in fact, for continuing prosperity the American people have acted bravely if not too wisely. Those who assume that an able administration in Washington will not permit a business recession of serious proportions may have overlooked the fact that the many weapons forged and placed in the economic arsenal over the past two decades have not yet been tested in action. Much, much has been learned of our amazingly complex and astonishingly virile economy since the Western world was forced out of the Garden of Eden in 1929. Whether enough is now known to make it possible for government to turn prosperity on or off like water from a spigot might be questioned.

Mass unemployment, if it develops, would be cushioned by the payment of unemployment benefits under social security. Government "made" work, such as vast slum clearance and road building projects, could be initiated. However, these are remedies —it will be seen—that will be applied only after the seriousness of the economy's ailment has been diagnosed, for surely no government would launch vast spending programs to compete with underlying business conditions judged to be strong. Timing, therefore, as well as the remedy itself, is all important.

Government may decide to reverse recently embraced policies and speed up spending in the military or defense areas. Recent news coming out of Russia — particularly rumors about the hydrogen bomb — may force government's hand or, perhaps, be used as a reason for increased military appropriations. If government so acts in the face of declining revenues, the promise of sound money in our times goes out the window again and possibly — though not certainly—inflation by the debt route will be resumed. Such a course of events may prove to be a solution to present problems of the economy but certainly it will only postpone—if not make impossible — any final solution for years ahead.

Recession Impact on Federal Revenues

In a recently published study, William R. Biggs, Vice-President, The Bank of New York, explored the specific effect of a business decline on the fiscal health of the Federal Government. His method was to apply to 1953 levels of production, prices, personal income, etc., the percentage declines experienced during the 1937-38 and 1948-49 business recessions. Then, making adjustments for the present tax structure, he showed what might happen to the Federal budget in such circumstances. His figures indicated that a business decline of the 1949 type would result in a Federal deficit of $16 billion, while a decline of the 1938 type would result in a deficit of $30 billion. Surely, if such figures are only half right then our government faces, as Mr. Biggs says, "a terrible dilemma."

Government can and, I think, will grant tax relief under the pressure of an economic slowdown. Even the Eisenhower Administration—dedicated to sound money that can come only from a balanced budget—will yield to a serious build-up in economic pressure. Tax reductions could mean the return of purchasing power to the private sector of the economy and this, in turn, could give some sectors of the business world quite a lift. However, if a reduction in taxes is followed by a reduction in government spending—as it should if further inflation is to be avoided—then those sectors of the economy concerned with production for the government's account will suffer. In other words, while you and I as taxpayers would theoretically be free to spend more of the dollars we earn, the government would have fewer of our dollars to spend.

The government can, will and, as a matter of fact, in recent weeks already has taken steps to make money more plentiful. At a time when other factors in the economic outlook are favorable, easy and reasonably priced credit can be a stimulating force. But people scarcely can be counted upon to use credit simply because it is both readily available and relatively inexpensive. In other words, easy, cheap money must be mixed with other ingredients if it is to exercise much force on the course of business.

Shrinking Farm Income

Just what will the Federal Government do about the problem of shrinking farm income? Here is a problem that is easy to state but very, very difficult to solve. Farm production like factory production has experienced the forced draft operating throughout the economy these many years. Government policies have priced exportable farm products above world market levels. As a result, exports must be subsidized. Exports of farm products may not appear large when stated in terms of dollars but the export or destruction of even a relatively small surplus serves to protect the all important price structure. Government policies have priced at least one important farm product out of the domestic market. I refer to butter, which has been priced so far out of line with margarine that many consumers have turned to margarine, found it good, and in all probability will never go back to butter. So, now we are turning out a food product that goes not into the stomachs of people but into cold storage maintained by government.

Not for one moment do we dare even consider going back to the economic chaos that engulfed farmers after the end of World War I. While this is emphatically true, a bigger price than some of us reckoned on is being paid for the managed economy under which our farmers have been operating. It seems to me that the current reexamination of the Federal Government's farm policies is all to the good—reflecting, as it does, the healthy democratic way of dealing with big problems. When the debate is over you can be sure that the politically potent voice of the farmer will not be ignored. At the same time, I know and you know, the farmer is as willing as any class of citizens to make his contribution to the continuing fiscal health of the nation.

Is Pessimism Justified?

Yes, we have a few problems to face in the days ahead. As I see it, these problems are not beyond the capacity of our leaders in government and business. Taking the long-run outlook, as contrasted to the short-run prospects, who can be pessimistic in the face of this country's history? In the United States miraculous strides have been made toward the goal of banishing poverty. With our vastly increased production, our growth in population and steadily higher standards of living, who knows but that we have passed into a new economic era in the years that have gone by since 1939. Possibly the old one-time familiar pattern of hard times following good times has been left behind forever. Who knows?

For many years, it seems to me, we have been working on an economic frontier—a frontier as unfamiliar and as unknown as the geographic frontier our forefathers knew. Recall the talk of economic

*An address by Mr. Du Vall before the Charleston (Ill.) Chamber of Commerce, Charleston, Ill., Nov. 3, 1953.

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maturity popular in the 1930's and measure against such pessimism the magnificent comeback of our economy in the years that followed and the ever new highs recorded since the end of World War II. Whether induced by forced draft or not, our real wealth has been and is still being increased by prodigious amounts. Technological advances, forced in part by rising labor costs, have brought us to a point in history where a man working only eight hours a day for five days a week produces far more than a man working ten hours a day for six days a week produced when I was a boy. It is considerations such as these that account for the long range—10 to 20 years—plans for further growth and expansion that are being made by our great industries. They believe as I do that America is still on the move and has not yet realized her destiny.

Continued from page 2

The Security I Like Best

stock is attractive for the investor interested in a conservative company having worthwhile growth characteristics.

MILTON PINKUS

Troster, Singer & Co., New York City

Polaroid Corporation

If the world these days is a shade easier on the eyes, and therefore a bit safer and more enjoyable, maybe it's because the glare has been taken out and the pleasure left in—by reason of polarization of light. However, not for this alone is **Polaroid Corp.** (quoted about 45 Over-the-Counter) "The Security I Like Best." But also for its many notable achievements in the realm of instantaneous photography, light control, 3-D moving pictures, etc., and overall for its growing resemblance to an Eastman Kodak.

Milton Pinkus

It has that significant look to it, if only because the name "Polaroid" similarly doubles as a synonym for products in its trade. Or possibly for the obvious reasons why the world once again is beating a path to another inventor's door—this time to **Polaroid's** in Cambridge, Mass., probably for such items as:

(1) The revolutionary Polaroid-Land (picture-a-minute) camera and fast-selling film.

(2) Its 3-D goggles, necessary for the only true three dimensional movie effects.

(3) Or its unequaled, scientifically-filtered (not just smoked or tinted) glare-free lenses.

Or in fact for many other products listed in the company's brochure, all equally remarkable, either on sale now or on tap awaiting exploitation such as, naming a few:

(4) Its ready and waiting (for years) solution to the climbing death toll on the nation's night highways: a proven glare-free headlight and windshield system.

(5) A so-called "Vectograph" motion picture film, which splices two of the now necessary 3-D films into one, pick-a-back fashion, thus eliminating the present need for two projectors—and all at great saving in cost of operation.

(6) Its 3-color film printing process for motion pictures, "Polacolor."

(7) Various Dosimeters which quickly record radio-activity.

(8) And still far from all, its X-ray-a-minute film that can be used in existing machines and a new portable Picker X-ray machine for battlefield use.

Yet for an even greater glimpse into **Polaroid's** future, add to these 25% (a likely average) of the hundred more now undergoing exhaustive tests in its laboratories, and figure further on the vast number of items yet to be tackled. For as we understand it, man has been waiting for answers to thousands of light problems since first he shaded his eyes against the sun.

Of course, **Polaroid** hasn't all the solutions. Nor for that matter has anyone—and probably for the elementary fact that man at present is working only with theories of where light comes from, how it travels and where it goes. Nonetheless, **Polaroid** does possess, almost exclusively, the only answer to a great many of these questions through its strongly patented method of light polarization—a practical process, first discovered by Dr. Edwin H. Land, **Polaroid's** inventor-President and Chairman, that divides light waves, eliminates eye irritants and, among other things, scientifically conquers blinding glare.

Even so, many may recall how difficult it first was to convince a skeptical public that the polaroid glare-free process was not just another gadget. But once convinced, **Polaroid** went on to write a continuous story of growth. Intense research uncovered new finds in kindred fields—e.g. the picture-a-minute film (and possibly colored film soon), 3-D, etc., etc. Sales rose year by year in staggered fashion to the respectable total (see table below) of $13.4 million in 1952, and in the first half of 1953 soared to $13.8 million, a six-month figure that in fact tops every 12-month result in the company's history, with the single exception of 1945.

Some guess, with good reason perhaps, that sales will reach:

$25-27 million in 1953.
$28-30 million in 1954.
$40 million in 1955.
$70-80 million in the near future.

And whether this be fanciful (or conservative) we cannot say. But the logic for the estimates stems in part from the likely possibility that **Polaroid** is "on its way to capturing at least 5% of the total market for photographic materials, which alone would amount to $50 million annually" (some estimates run even higher). And all this with but minor consideration to sales of 3-D viewers and with no presumption of added sales of new products.

The pros and cons of stereoscopic photography (3-D) versus wide or curved screen panoramic movies (2½-D) will, of course, be decided at the box office. And even though a recent MGM release significantly points to box office receipts from "Kiss Me Kate" as being 40% higher when shown in 3-D, it is probably much too early for conclusions. Nevertheless, it should be evident by now that **Polaroid's** bright future (glare-free, of course) does not in the least rest upon the caprice of this coming verdict.

Net profit per share (407,375 common $1 par outstanding) for 1953, after Federal Income and EPT taxes, might well reach $4.00 versus $1.32 in 1952. And with EPT eliminated in the years to come, along with the expected sales previously stated, could bounce to:

$7.50-8.00 in 1954.
$10.00 in 1955, etc.

Cash dividends (now 50c annually) are not expected to keep pace with rising earnings, seeing as how **Polaroid** is bursting at the seams for additional space and expects to start operation of a newly-built plant at Waltham, Mass., in the spring of 1954. More building is contemplated and very likely all will be financed through the company's own cash flow. However, there should be equal reason to expect stock dividends from time to time.

We hardly think it necessary to predict to what extent such future earnings might eventually be reflected marketwise. Perhaps "markedly" would be conservative. And not to be overlooked, is the fact that an investor in **Polaroid Corporation** today is in effect buying for practically nothing the charged off (not capitalized) expenses of 16 years of invaluable experimenation and development.

	Sales (millions)	Current Asset Ratio	Net Income After Tax (thousands)	Net Per Share	Price Range
1953	*$13.8		$984	*$2.34	47½-25½
1952	13.4	2½ : 1	597	1.32	28 -18½
1951	9.3	4½ : 1	512	1.11	26 -14
1950	6.4	7 : 1	726	1.64	19¼-13¼
1949	6.7	8 : 1	721	1.63	31½-16¼
1948	1.5	5 : 1	†865	†2.29	22 -13
1947	1.5	16 : 1	†954	†2.51	56 -16
1946	4.4	8 : 1	†336	†0.98	58 -22
1945	16.8	2.3 : 1	414	0.87	44½-12½
1944	13.2	1.4 : 1	344	0.87	14¾- 8
1943	10.7	1.1 : 1	152	0.32	13 - 6¾

*Six months. †Deficit.

Securities Salesman's Corner

By JOHN DUTTON

People who have no experience investing in securities can be gradually converted into becoming good clients. But it take patience. Not all new investors are going to use up a great deal of your time but many of them will wish to do so, and unless you are prepared to take it slow and easy you will find that you will miss most of the opportunities to do business with them. It is simply a matter of education and of gaining confidence. The best way to gain this confidence is to find out what the customer wants in regard to his or her major objective. Income, growth, or a combination of these two factors must be determined. A knowledge of the investor's other assets, the degree of risk that can be assumed, and pertinent information regarding the family ties, dependents, etc. should be clearly defined.

If you start off with an explanation that is based upon the common sense approach that you can sell the customer any one or more of thousands of different stocks and bonds—that from the standpoint of your own bread and butter you have little to gain which security you sell—but from that of the customer it is all important—you will strike a responsive note. Then go into the questioning of your prospect. Let him talk. Let him ask questions. This is especially helpful if you are talking with women. The more that you allow your prospective customer to question you, the better your relationship will become.

I remember a case where I once had an inquiry from a complete stranger regarding American Telephone & Telegraph stock. She wanted to know if I thought it was a good investment. I replied that I certainly did think so. If I had jumped to conclusions and tried to go into a discourse on the whys and wherefores of investment right then and there I think I would have lost out. Instead, I suggested that we make an appointment and talk things over. Sitting around the table in her living room we got out pencil and paper. I found out that she had limited funds but certainly enough that if they were invested in good stocks, they would pay her a better income than the 2½% she was then receiving. I found out that she had a mortgage that was being paid off in about 16 more years. She also told me of her plans for the future and she said she thought she needed income to help her meet living expenses. We ended the first interview after several hours of discussing **her problems.** I suggested that I would make up a list of investments and see her in a few days, which I did.

At this time she was most friendly but she said she had done some thinking. She asked me about three dozen questions pertaining to stocks. How they were bought, commission rates, dividends, and even "what is buying on margin?" I suggested that **she buy** some American Telephone if she still wanted it and also showed her the other situations I had selected. Then we had about another hour of "why this" and "why that." Don't think her questions were trivial. She was thinking seriously about an investment that would mean a great deal to her and she wanted to make no mistake if possible. Isn't this only natural? So I left with a small order to buy her two listed stocks—big name companies that everyone has known of for years. The starting of this account was accomplished and the use of blue-chip listed equities to open the account fortified her confidence.

The third interview was much easier. We discussed the possibility that it might be more important to her to have a larger capital five or 10 years from now than to acquire more income today. In fact, she began to see this very clearly herself and asked me what I thought about it. I then suggested two good "growth" stocks and several "growth" Mutual Funds. These orders finally paid me for the time and effort put into the account.

If patience had not been exercised the customer would never have been created. If questions had not been asked confidence would not have been established. If her questions had not been answered simply and without halting and fumbling, she would have lost that elusive first feeling of confidence and the sale would not have been made. The use of Telephone and the other blue-chip stocks to open the account added to her store of confidence. The fourth interview was actually **the selling interview.** The three first calls and even the first two sales were only build-up calls to create sufficient confidence in order to sell her **the securities that were best for her,** and also the most profitable as far as the commissions earned were concerned.

This is a very general outline of an actual sale—but the work that went into it was such that the four interviews actually consumed about eight hours of time. Unless you can accept the possibility that many such cases will take this same course, don't expect too much from prospects who know little or nothing about investments and who say they might be interested in buying some stocks. Some will be the exception, but don't expect it to happen very often. Patience and the building of confidence—that's what does it.

Geyer & Co. Group Underwrite Offer by Insurance Firm

American Fidelity & Casualty Co., leading truck and bus insurer on Nov. 24 made an offering to holders of its common stock of record Nov. 20 giving them the right to subscribe at $22.25 a share for one share of new $1.25 convertible preferred stock for each share of common held. Subscription rights will expire at 2 p.m. (EST) Dec. 9, 1953, and any shares not taken by stockholders will be purchased by an underwriting group headed by Geyer & Co. Inc., of New York.

The proceeds from the sale of 150,000 shares of new convertible preferred will be used by the company to improve the relationship of capital funds to the volume of premiums written, to finance an anticipated further growth in its business, and to enable the company and its insurance subsidiary to retain a large volume of their premium writings for their own account.

The new stock will be convertible into common on a share for share basis. It will be redeemable after Oct. 10, 1956 at $23.25 on or before Oct. 10, 1959 at $22.75 thereafter and on or before Oct. 10, 1962; and at $22.25 at any time thereafter; plus, in each case, accrued dividends to the date of redemption.

The new convertible shares are exempt from existing Pennsylvania property taxes for county purposes, for school and city purposes in Pittsburgh and for school purposes in Philadelphia so long as the company remains liable for the Pennsylvania gross premium tax.

American Fidelity & Casualty was founded by Samuel A. Markel, its present Chairman, and was chartered as a Virginia corporation on Jan. 18, 1926. Since its organization it has specialized in the underwriting of bodily injury and property damage insurance on buses and on motor trucks engaged in long-haul transportation. As of June 30, 1953, the company insured over 4,000 risks consisting of more than 56,700 trucks and buses. The company writes business in all 48 states.

All commercial vehicles insured by A. F. & C. come under the continuous safety engineering supervision of Markel Service, Inc., which also acts as underwriter and claims adjuster for the insurance company. The Markel Service accident prevention facilities provide for regular inspection of equipment and continuous check on driving performances of bus and truck drivers through the use of a fleet of road patrol cars, half of which are equipped with special 35mm cameras which record a series of photographs of an insured vehicle being trailed.

With Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Bernard F. Supple has joined the staff of Hemphill, Noyes & Co., 10 Post Office Square. He was previously with Chas. A. Day & Co. and A. C. Allyn & Company, Inc.

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A Flexible Farm Price Support Program Will Aid Foreign Trade

By HON. GEORGE D. AIKEN*
U. S. Senator from Vermont

Senator Aiken discusses problems of U. S. agriculture with particular reference to their relation to foreign trade. Asserts nations all over the world are subsidizing uneconomic farm production, but finds our system of farm price supports have maintained the purchasing power of the American farmer and, indirectly, that of the whole economy. Condones import restrictions on competitive products and points out our importations are mainly commodities we do not grow competitively. Holds major problem is to work out equitable program to permit imports of competitive products. Reveals farm surplus problem and favors flexible price supports.

Since the beginning of history, men engaged in your line of business have been vitally concerned with the world's agriculture. Directly, or indirectly, a large part of the cargoes carried on the Seven Seas have been the result of farming operations conducted in all parts of the world. Only 150 years ago, 80% of the people of the U. S. were engaged in agriculture. At that time, eight farmers could produce enough for their own families and two others.

Hon. G. D. Aiken

Today, 20% of our population is engaged in agriculture and produces food and fiber enough for themselves and the other 80% of the people.

When we consider the world situation, however, we find that 80% of the people of the world are in one way or another connected with farming operations today. A large percentage of them are unable to make what we Americans would call a decent living. Some areas of the world are from time to time still afflicted by famine or ravaged by diseases due to malnutrition. Some areas that could produce more abundantly are kept in the low income class for want of markets.

Sometimes when the production of a nation is inadequate to support its increasing population, that nation seeks to acquire other more productive lands which do not belong to it and war results.

If some way could be devised whereby those countries that remain poor for want of markets and those that remain impoverished for want of food could be brought into the proper relationship with one another, the world as a whole would be better off.

You people who are engaged in world trade and commerce are the logical medium through which happier international relationships can be brought about. You people whose business takes you to the far corners of the earth in search of business can be a powerful force in minimizing the dangers of war as well as privation.

The United States is at present very well balanced as far as the production of food and fiber is concerned. Our crop yields are comfortably ahead of our needs. We produce more wheat than we need, but depend upon other countries for coffee, cocoa and part of our sugar. We are a producer of exportable cotton, but are a deficit nation as far as wool is concerned. We depend upon men engaged in international trade to help dispose of the excess of some commodities and to see to it that we have enough of others to meet national requirements.

*An address by Senator Aiken at the Third General Session of the 40th National Foreign Trade Convention, New York City, Nov. 17, 1953.

In the unsettled condition of the world today, we find many nations making a strenuous effort to be self-sufficient. The United States itself is no exception.

So long as there is a threat of war, it is only natural that we undertake to produce a minimum of all sorts of commodities essential to the national security or the carrying on of war. That is why we undertake to produce a minimum of 360 million pounds of wool each year even though two-thirds of the supply we normally use comes from other countries at a lower cost than our own producers can raise it for.

It is fear of being caught short that prompts us to accumulate and carry over enormous quantities of grain which serve to depress our domestic market.

All over the world today, we find nations subsidizing the uneconomic production of certain farm commodities which could be bought more economically from other areas. They do this either because they dare not risk dependency on others or because they lack the type of currency necessary to make foreign purchases.

Our Agricultural Background

Before discussing specifically the subject "U. S. Agriculture and Foreign Trade," I would like to submit a little background for the present scene.

The exports of United States agricultural commodities increased 500% in dollar value between the late 1930s and 1952. Our imports increased approximately 400% over this same period.

Although I am giving these increases in dollar values, there was a material increase in volume also. During the post World War II period, a large part of our agricultural exports were financed through foreign aid programs. In 1948, 60% of our export of agricultural commodities was financed in this manner. By 1952, the percentage of exports of farm products so financed had dropped to 12%.

The effect of reducing foreign aid to exports would have been felt by the American farmer sooner than it was had it not been for the Korean outbreak. As it is, the farmer is greatly concerned today over what is happening to his foreign markets.

Agricultural commodities are slipping in our export trade. From 1946 to 1951, more than 25% of our total exports were agricultural, but in 1952 this had dropped to 20%. From 1947 to 1952, we averaged to export 37% of our wheat production, but this dropped to only 23% during the last marketing year of 1952-1953. Exports of cotton dropped from 34 to 20% over the same period.

As wheat and cotton, along with tobacco, constitute our larger agricultural exports, it behooves us to take stock of the situation, find out what the reason for the drop is and determine what, if anything, we had better do about it.

This coming year, we are restorting to the stringent and undesirable remedy of requiring farmers to plant restricted acreages of cotton and wheat. Tobacco has been similarly restricted for many years. There is no way of estimating what our production of these commodities would be provided farmers were permitted to produce to their full ability.

We have on hand today, all-time record supplies of wheat and cotton. It looks as if production controls may have to be applied to these two crops for years to come unless some means is found of permitting the free flow of these commodities into the world market.

Why do we have such tremendous carry overs of certain crops on hand today? Primarily, because we have provided unusual incentives for their production.

It was during World War II, that the price support programs for American farmers really began to increase production.

Support Prices

Previous to 1942, farm support prices merely took the form of subsistence guarantees. Since 1942, however, farm support programs have guaranteed not only insurance against price failures, but actually cost plus a desirable profit for several million producers of the six basic commodities. The American farmer today probably enjoys a higher standard of living than any other agricultural class on the face of the earth.

I am glad that this is so even though the high government guarantees have brought with them problems which, unless we solve them, may have an undesirable reaction.

The United States support price program has affected agricultural producers in most every other country. We have created in the United States the best market in the world for farm commodities. We have created a desire on the part of other countries to sell as much as possible of their production on the United States market. If we did not restrict the amount which may be imported into the United States, we would doubtless find ourselves in possession of the major part of the world's supply of some commodities.

Take butter, for example—

Our support price is about 67 cents a pound as compared with a market price of 39 to 42 cents a pound in the other producing nations. We don't want the world's supply of butter, so we prohibit its importation. As a matter of fact, if we permitted butter to be imported in appreciable quantities, the effect would be to jack up the price to other nations, some of which can scarcely afford to pay more.

In the case of wheat, outside of that exported under the International Wheat Agreement, the high prices in the United States have undoubtedly prevented the free flow of American wheat in the world market. Other producing countries can undersell us and, at the same time, receive better prices than they otherwise could have secured.

Lest we consider that the support price programs which, in some cases, prevent the free flow of American commodities in the channel of world trade are a full liability, however, we must also take into consideration that these same programs have maintained the purchasing power of the American farmer and indirectly the entire economy at a very high level. This has created a much better market for tea, coffee, cocoa, rubber and other foreign commodities.

Our high level economy has enabled untold numbers of Americans to spend vacations in other lands and to invest in business and industrial expansions throughout the world.

It is unfortunate indeed that in order to maintain our own price support programs, it is necessary to restrict the import of commodities from other nations. We virtually prohibit the importation of good quality Canadian wheat, but it is a safe bet that our support program enables the Canadian farmer to get a better price for his crop than he would if we permitted free importation and did not support prices at a high level in the United States.

Inasmuch as the promotion of world trade is fundamental to the reestablishment of peaceful international relations and an improvement in the world economy, it is important the we spare no effort to bring about an expansion of international intercourse and exchange of goods between nations.

Perhaps we think too much in terms of developing export markets without realizing that imports and exports must be considered all at the same time. Some folks may feel that imports of farm commodities naturally detract from our own prosperity, while exports serve to add to our wealth.

In 1952, United States agricultural exports amounted to $3,347,000,000 compared with imports of $4,518,000,000. To simply look at the figures would give one a distorted picture.

Of the $4,500,000,000 worth of imports, only 40% were competitive or supplementary. The three most important supplementary imports were grains and grain preparations, sugar and apparel wool. The imports of sugar, under strict control, increased one and one-quarter times on a quantity basis since the prewar days. On a dollar basis, the imports of sugar increased three times.

Undoubtedly, these extra dollars received for sugar were spent mainly in the United States for other goods. The American producer of sugar is not complaining. Apparently, the Sugar Act has been good for us in the United States and for the exporting nations as well.

The imports of apparel wool have increased 12 times in dollar value, but only four times in quantity since the prewar days. World consumption of wool has increased during the recent years and this has been reflected in price increases. Nevertheless, the American wool producer is finding it increasingly difficult to maintain production. Without increased government assistance, he probably will not be able to produce any worth while part of our needs in the future.

National security plays an extremely important part in the picture of United States wool production. The next session of Congress faces the difficult task of working out a program which will maintain a necessary minimum of domestic production without putting road blocks in the way of essential imports.

Nature of Our Agricultural Imports

Sixty percent of our agricultural imports are complementary or non-competitive with American agriculture. The most important of these commodities are coffee, crude rubber and cocoa or cocoa beans. The dollar value of coffee imported in 1952 will probably exceed the total of our exports of cotton and wheat for this year.

While the amount of coffee imported in 1952 was only 1½ times the prewar average, the dollar value had increased ten times. Presumably, part of the increase in the economic prosperity of some of our Latin American neighbors may be traced to this source of increased revenue.

Imports of the complementary commodities will increase as our own population increases and as we are educated to use specific commodities at competitive prices. As those nations which export noncompetitive commodities to us become more prosperous, they will, in turn, become better customers of ours also.

The Major Problem

Our major problem then is to work out an equitable program for the import of the supplementary or competitive commodities.

I have pointed out that the Sugar Act seems to have worked fairly well. World reserves are now down about one-third from the 1940 level, but are still adequate to take care of any foreseeable need. Sugar production and sales could undoubtedly be increased a great deal if certain populous countries did not class it as a luxury and tax it accordingly.

In this respect, I think it should be pointed out that in the matter of trade barriers, the United States is still rather amateurish as compared with some of the older countries. The International Wheat Agreement may be considered to be still on trial. The United States has subsidized exports of wheat to the extent of nearly $600,000,000 during the first four years of this agreement. We will have to subsidize heavily under the renewed agreement of 1953.

It has been suggested from responsible sources that a two-price system for wheat should be authorized by the Congress. The two-price system has both friends and foes. It would provide a full parity price for that part of our wheat crop used domestically for human consumption. It would provide that the balance of the crop be permitted to find its natural price level in the world market or be diverted to other than human uses.

Disposal of U. S. Surpluses

Any talk of disposing of United States surpluses in the world market immediately creates alarm in other producing countries. Any talk of lower prices for American farm commodities on the world market has a tendency to slow up the placing of orders by consuming nations. It may be that the Congress will consider a two-price program for wheat and possibly cotton favorably. We should, however, consider the full effects of such a program and be very careful that in attempting to solve one problem we do not create others.

I am approaching consideration of this proposal with a completely open mind. It appears probable that in our search for an expanded world market for our exportable commodities, we may have concentrated too much upon a few big markets. It is entirely likely that the opportunity of the future may lie not in competition for what are presently the larger world markets, but in making the smaller markets of the world more important than they are today.

This is apparently in the mind of the Secretary of Agriculture, Ezra Benson, who has established within the Department a major agency which will have the development of markets as its principal function. I expect that this agency will look into all the corners of the earth where we might dispose of a single shipload of goods and where we might be able to find some commodity which we could take in exchange.

With the developments now going on in so many parts of the globe, it appears that by introducing trade in some of these out of the way corners we may be contributing to the mutual prosperity of both our area and theirs.

I know that the Secretary of Agriculture will rely heavily upon you people in any program designed to help develop markets and trade. You know best about

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the business that can be done in what we used to call the "far-away" countries. I am convinced that with your cooperation we can expand world markets without depending on war or give-away programs.

The first session of the 83rd Congress enacted legislation which provides that limited sales may be made to foreign countries and the currency of that country accepted in payment. This legislation was given little study by the Congress and no hearings before being enacted. I expect it may be full of bugs, but at least it indicates a willingness to explore this field. It is probable that the experiment will be helpful and will lead to wider developments later on.

Point IV Program

One program which I always thought had far-reaching possibilities was the so-called Point Four Program. I don't know what is to be done about it in the future years. I am sure that under the new Administration it won't be called Point Four.

Under this program we perhaps tried to go beyond the line of productive returns in some cases. When we show the people of the so-called under-developed nations what can be done and when we have set up demonstration projects and pilot plants, we have probably fulfilled our part of the job. We ought not to undertake to run their business for them after we have shown them how it is done.

This program of cooperation with these nations holds very wide possibilities. It should be continued on a practical basis.

We are told that within 2,500 miles of the Equator, there are living 1¼ billion people with an average annual income of only $46 per capita. Certainly, they can't be very good customers for anyone with purchasing power at this level. Every time their income is raised a dollar a year, it amounts to $1¼ billion in new purchasing power. Possibly the greatest undeveloped wealth of the world lies in the latent consuming power of this 50% of our population.

Problem of Unrestricted World Trade

Most of us would agree that in theory free trade is most desirable. Yet, when we come to approaching a solution to this problem we always consider the effect upon the different segments of our economy, particularly our segment. Realizing the ultimate objective of unrestricted world trade is not a simple nor overnight job. Tariffs, subsidies, embargoes, quarantines, multiple exchange rates and two-price systems all serve to complicate the task.

Our own tariff protection on a percentage basis (dollar volume) has decreased from approximately 50% to about 13%. This has resulted from increased prices and the use of reciprocal trade agreements.

We should continue to use the Reciprocal Trade Agreements Act to the end that tariffs may be safely reduced on both our exportable agricultural commodities as well as our imports. The American farmer believes that tariffs might well be reduced on many items of imported industrial and manufactured goods which he has to buy. I personally believe that had the flexible price support program been permitted to operate, that we would not have the unwieldy surpluses of cotton, wheat and other farm commodities which are now embarrassing us. These commodities would have flowed more freely in the normal channels of domestic and foreign trade and the American farmer would have been better off economically right now.

However, we are in a position where we cannot bankrupt our farm economy by drastically reducing both acreage and unit prices at the same time.

The logical way out of the dilemma into which we have been muddled in recent years is to expand our world markets. This business should be operated through normal channels of trade with a minimum of government interference and a maximum of government cooperation.

With the full cooperation of all concerned, we can develop a program which will mean greater security for our form of government, a more prosperous agriculture, with free and independent farmers, and a big expansion of business for our foreign trade.

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Impact of High Taxes On Corporate Investment

While the net gain with success is reduced by the tax, the amount of the loss if the project turns out badly is also reduced in the same proportion for all investment outlays where the commitment does not exceed the reasonably assured taxable income from all other operations.[4] Also, there are some special provisions in the tax structure intended to stimulate certain important forms of investment, such as special depletion provisions and accelerated amortization of defense related facilities.

Still other factors suggest that changes in available funds brought about by taxes are likely to be generally more important in determining the total reduction in investment outlays than any effects on profit incentive *per se*, so long as business conditions are favorable, but I will mention only one more this morning. We know that there are many companies which have a firm overall policy of limiting investment outlays (apart from some temporary short-term borrowing) to funds thrown off by current operations. These are well managed efficient companies whose product development men, research staffs, and engineers are turning up a substantially larger volume of promising new investment opportunities than the available funds will finance (or the management organization and staff will support). The expected profitability of excluded projects is substantially greater than minimum acceptance levels because other things than profitability are the controlling or limiting factors in the situation. Here again, so long as business conditions and prospects are favorable, high income taxes or substantial increases in taxes will not reduce the actual total volume of investments made as the usual theory ignoring this constraint would have suggested.

For all these reasons, then, I should not expect that during prosperous periods such as we have enjoyed since the war, the volume of investment lost because of the effects of taxes on profit incentive—after allowing for the reductions due to restricted availability of capital—has been very great. And it is during such periods, of course, that the great bulk of all investment occurs.[5]

How large then have been the reductions in investment due to restrictions on funds available for financing? While a complete and accurate answer is obviously impossible, we can get a rough bench mark which may be useful. (The figures which follow refer to all corporations other than utilities, transportation and finance. These concerns are excluded because most of the tax on them was presumably shifted, or in the case of finance companies investment in plant and equipment and inventories was relatively small.)

During the seven years 1946 through 1952, income and profits taxes amounted to $89.7 billion. If these corporate taxes had been only half as large as they were—this would imply rates ranging from 19% to 41% instead of 38% to 82%—internal funds would have been larger by no more than $35-$37 billion after allowing for increased dividends *even if* unit volume had been maintained. But the government would have had to resort to some other source of revenue to make up for lower corporate taxes, and the amounts involved would have required roughly a 25% increase in the personal income taxes already being collected or between a 5% and 10% Federal retail sales tax (depending on exemptions). Quite apart from political feasibility or even social or general economic desirability, such taxes would have reduced unit volume considerably—and, as we all know, cuts in volume produce far more than proportionate drops in profits and still sharper declines in retained earnings. But the end is not yet, since the reduced volume in the earlier years would have had a cumulative depressing effect on incomes and sales.

All in all, without going into the details of the estimates, it would appear that shifting as much as half the corporate tax to either personal income taxes or consumption taxes would have increased internal funds available for investment by no more than possibly $25 billion for the entire seven years—or by about $3½ billion per year as an overall average. This can be taken as a rough estimate, then, of the reduction in internal funds due to having corporate rates at the high levels they were instead of at the lower levels mentioned, provided that other taxes were used to make up the loss in Federal revenues. Incidentally, you will notice that while this shift in taxes would have left corporations with more funds from operations to spend on investment projects, the loss in volume would have reduced the need for new capacity and hence some incentives to invest.

Using this $25 billion figure for the seven years as a bench mark, we could say that the reduction in internal funds available for investment resulting from a doubling of corporate tax rates in lieu of using other revenue sources amounted to roughly one-fifth of the funds actually retained in spite of the higher corporate tax actually in effect. But the reduction in the volume of investments actually undertaken was obviously very much less than this because the pinch on internal funds led many companies to go to insurance companies with private placements and to the open market with both stock and bond issues to fill out the financing needed for the investments they wanted and needed to make.

At least so far as debt is concerned, the postwar period is a beautiful illustration of the conditions under which this resort to other financing would be most likely to occur. The pressure for expansion has been intense, booming business has fortified profit anticipations, interest rates till 1951 were at historic lows, and high tax rates simply made the net costs of outside debt still lower. At the same time, thanks to wartime retentions of earnings, net worth was generally exceptionally strong in relation to debt and thanks to continuing high profits and restrained dividend policies equity positions continued to be favorable for several years.

Since Korea and the "accord" the underlying pattern is different but equally favorable to the use of outside debt to make up deficiencies in internally supplied funds. Increasing interest rates were in good part offset by increasing tax rates so far as net costs are concerned. The added lure of accelerated amortization reintroduced along with technical features of the excess profits tax which made it profitable for a good many companies to borrow money even if they sat on it. Since investing it would generally be still better, the volume of investment was also increased.

Clearly, we have had heavy reliance on outside funds, especially debt, to make up much at least of the reductions in internally available financing needed to support high levels of investment outlays. Debt issues and private placements in 1946-1952 amounted to more than $40 billion (again excluding regulated industries). While some part of this debt would have been incurred anyway, there is no question that a large part of it was incurred to maintain desired and needed levels of investment in spite of high tax rates.

Some part of the difference was possibly also made up with issues of new equity securities. But as is well known, the effects of the tax on equity issues are quite different than for debt. Here, the higher tax rates reduced net earnings and dividends and thereby market prices on shares, so that the cost of equity capital was increased and new flotations were made less attractive than they would have been with lower corporate taxes. Nevertheless, with high levels of business activity and incomes, and with relatively favorable market levels for attractively situated concerns over much of the postwar period, many companies have been able and willing to float new equity securities. The total volume, however, has been only on the order of one-tenth of new debt and private placements.

My conclusions therefore on the effects of corporate income tax on levels of investment are:

(1) The tax does significantly repress the volume of investment which would otherwise be undertaken by corporations by reducing financial incentives and by restricting the availability of capital.

(2) In times, however, of booming business conditions, continuing high incomes, and pressure of existing capacity as well as generally favorable equity and liquidity positions buttressed by an easy money policy, the actual reduction in total investment may be relatively small. (a) Under such conditions, investment incentives can be so strong that, even though heavily reduced by tax considerations, they still will call forth all the investment the companies can finance, and also all the investment the economy can handle without inflation or serious disruption of other demands. (b) Under these conditions, moreover, most companies can readily make up reductions in internal funds due to higher taxes with outside capital.

(3) During the postwar period, the corporate tax served the useful purpose of reducing investment demands more nearly to levels which the economy could satisfy without undue strain and added inflationary pressures. It did not, however, greatly reduce the volume of real investment in the brick mortar and machinery in place and the physical goods on the shelves.

(4) Under generally prosperous business conditions, but without the abnormal favorable features of the last few years, the tax would reduce the volume of investment much more seriously. Under these conditions, the effects of the tax on the supplies of capital available on acceptable terms to finance investment would probably reduce the volume of investments undertaken somewhat more than the effects of the tax on investment incentives.

(5) With a downturn in business, the effects of the tax on investment incentives would be relatively more important and the balance between the effects on incentives and on supplies of funds might well be reversed.

(6) Since alternative sources of tax revenue would also reduce investment incentives and the funds available to corporations, the *net* restriction of investment attributable to using corporate income taxes is less than would be indicated by considering only the direct effects of the tax.

(7) The structural effects of the tax are likely to be fully as important under most conditions as the effect of high corporate taxes on the over-all total volume of investment. I am referring here particularly to the effects on the kinds of investments that are undertaken, and on the sizes and types of firms that can continue with their investment plans in spite of the tax. In this connection, the markedly more restrictive effects of the high corporate income taxes on the investments and growth of younger and less well established, though otherwise very promising, concerns are particularly serious. Since I have discussed these matters in detail elsewhere, however, there is no need to go into them here.

4 The full period over which losses can be carried forward and backward should be included in judging the probable amount of taxable income against which losses can be offset.

5 As one rough indication, we may note that after allowing for price changes, the last seven years account for about three-fifths of all the producers' equipment installed during the entire 24 years since 1929.

Lerner Elected Chairman of Board

At a meeting of directors of Victoria Gypsum Company, Ltd., of Nova Scotia, Louis C. Lerner, of Lerner & Co., Boston, was elected Chairman of the Board, continuing as Vice-President and director.

Louis C. Lerner

Mr. Lerner is also a director of Coplay Cement Company and Chairman of the Executive Committee and a director of National Company of Malden, Mass.

S. W. Haley Opens Offices

ORLANDO, Fla.—S. W. Haley has formed Haley & Co., Inc., with offices at 327 North Orange Avenue, to engage in the securities business. Officers are Sidney W. Haley, President and Treasurer, and M. L. Haley, Secretary. Mr. Haley was formerly local manager for Granbery, Marache & Co.

Future Estate Planning Opens

YONKERS, N. Y. — Jerome Rosenberg has opened offices at 630 McLean Avenue to engage in the securities business under the firm name of Future Estate Planning. Mr. Rosenberg was previously with Oppenheimer & Co.

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A New Look at Foreign Trade

was shocked at the lack of recognition which the Department, as a result of previous Administration policy, was giving to business services. I found, as I have told the Congress, that less money and less than half the people were being devoted to service to business in this businessman's Department than was true in fiscal year 1929, the last year Mr. Hoover served as Secretary of Commerce.

One of my first objectives as Secretary was to attempt to remedy this condition. The Department has been reorganized so as to put greater stress on business services and we are appealing to the Budget Bureau and the Congress for appropriations more adequately to finance business service activity.

As a part of this effort and in recognition of the importance of foreign trade in our economy, we have raised our international trade effort to a higher level and have formed a Bureau of Foreign Commerce. Under the supervision of the Assistant Secretary for International Affairs, Mr. Anderson, and staffed with able and experienced career officers, we have instructed this Bureau to give emphasis in its programs to the needs of exporters, importers and foreign investors.

This Bureau will provide in increasing measure, I hope, the day-to-day needs of the businessman for services from his government in the foreign trade and investment fields. The Bureau of Foreign Commerce will also make the needs and desires of businessmen heard in the policy councils of the Government.

So long as the world continues in a state of tension, we shall have to continue to control exports for strategic reasons, but the objective is to see to it that the Bureau of Foreign Commerce operates these controls in such manner as to hinder business to the least possible extent.

We have moved very rapidly in removing export controls for short supply purposes. We have also attempted to cut down the paper work under the export control system by developing various types of wholesale licenses.

Perhaps, however, the best example of the spirit in which we are attempting to administer export controls is afforded by the steps recently taken when there was the threat of a longshoremen strike. First, applications were hand-processed, second, those applications which would be affected by the strike were moved through the processing channels on a wholesale basis, and finally a change in export regulations was ready to be issued to extend the expiration date of those licenses which would normally expire during the strike until two weeks after the end of the strike—had it occurred.

This is the type of service which I believe will be and is appreciated by the trade. For example, a large company recently advised the Bureau that as a result of this particular effort, it had been able to ship enough material to keep the majority of its friends and customers protected against the consequences of any strike action. Subsequently, they were most friendly in their comments concerning the Commerce Department's cooperation.

Foreign traders also look to their government for help in establishing a sound commercial policy. It is well known that the Administration, in cooperation with the Republican Congress, is working very hard at developing a lasting trade policy to replace the patchwork quilt developed over the last 20 years.

History of Our Trade Policy

Let us therefore take a brief look at the history of our trade policy as well as some of the problems we are currently facing in this field.

Our early debates on tariff policy resulted in the establishment by Republican Congresses and Republican Administrations after the Civil War of the policy of protecting our infant industries. This tariff decision was a sound one. Our tariff laws gave our newborn industries the precious time they needed to enable them to compete successfully with the strongly entrenched industries of older lands. Our tariff policy helped us to build the strongest industrial economy and the highest standard of living that man has ever known.

Even in this period of high tariffs, however, the Republican Party recognized the usefulness of tariff policy in bargaining abroad for favorable treatment for our exports.

It was Secretary of State Blaine and President McKinley, when he was Chairman of the House Ways and Means Committee, who first brought into our tariff legislation the authority to enter into reciprocal trade treaties.

The Republican leadership of the 1890's was responsible for our first large-scale attempt to negotiate reciprocal trade agreements.

But Secretary Blaine and President McKinley were too far ahead of their times. The authority in the McKinley Act was gradually allowed to lapse. Reciprocity in tariff matters was abandoned as a tool of American diplomacy until the great depression of the 1930's.

The Trade Agreements Act, first passed in 1934, recreated the authority to bargain reciprocally on trade matters. This legislation was passed as a depression-born attempt to raise exports from the low levels of those depression years. The Trade Agreements authority was very sparingly used before the war and then in an atmosphere of depression and preparation for war.

Since the war our foreign trade has been dominated by the reconstruction needs of the war-ravaged areas and the later necessity of perfecting the defenses of the free world against the aggression of the Kremlin.

In none of these last 20 years has tariff policy, whether it be our own or that of other countries, basically affected the volume and content of trade.

In his very first message to the Congress, President Eisenhower placed in the forefront of his objectives the establishment of an equitable trade policy.

"Our foreign policy," he said, "will recognize the importance of profitable and equitable world trade." He recognized, however, that "this objective must not ignore legitimate safeguarding of domestic industry, agriculture, and labor standards."

The Administration recognizes that we are living in a changed world. The awful responsibilities of world leadership have been thrust upon us. We have become the strongest of the industrial powers. Our infant industries have reached maturity. Our creditor position has become the strongest in history.

These changed conditions require the reexamination of our trade and other foreign economic policies. So the President recommended, and the Republican Congress established, a Commission on Foreign Economic Policy. Under the wise and able leadership of Clarence Randall, I am certain that this Commission will propose thoughtful and far-seeing policies.

The Republican Congress, in establishing the Department of Commerce and Labor in 1903, directed it to foster, promote and develop the commerce of the United States. It was the Congressional intention to help American industries sell more of their goods throughout the world. The desirability of this goal seems to me almost too obvious to require comment.

Practically all segments of American industry and agriculture are represented in our export business. It furnishes employment for close to 3 million workers. It accounts for a round $1 out of every $20 worth of our total national output. And besides providing sales outlets, profits, and jobs for U. S. citizens, exports serve our national interest through their contribution to the economic strength of our friends and allies around the globe.

Our Present International Trade

During the fiscal year ending last June 30, total U. S. exports of goods, services, and capital invested abroad amounted to $21 billion.

To pay for this $21 billion foreign countries had available $16¼ billion through our payments for merchandise imports, offshore procurement, tourist spending, and other purchases of services plus $6.2 billion in U. S. Government aid, military and economic, and another billion through the net outflow of private U. S. capital and remittances—a total of $23½ billion—or a favorable balance abroad of $2½ billion.

It is interesting here to net out our sales and purchases of finished and semi-finished manufactured products and to find that in this area our sales were $8½ billion and that we purchased $5 billion—a substantial balance in favor of U. S. manufactured exports which must of course be of continuous concern to the Commerce Department charged by law with promoting and fostering our foreign commerce.

At least temporarily, the nations we trade with are in a stronger position than at any time in recent years in their trade and financial relationships with us. An opportunity thus exists for sound expansion of our export business. If we are to achieve this, however, and at the same time to reduce the burden of foreign aid upon the taxpayer, we must still find ways to help foreign countries earn the dollars to pay for the goods we want to sell them. Travel, services, and investment help to balance our international accounts. However, if a nation wants to export finished products and raw materials, the payment, by and large, will have to come "in kind." Most of those goods can continue to be raw materials and foods which we do not produce in sufficient quantities and which we need for processing or for consumption, as the case may be. However, there will be, and must be, imports of finished products into this country.

The question is, how much and on what basis, which question I shall discuss a little later on.

We have already recognized that any protection given to American industry should be open and aboveboard and should not be in the disguised form of difficult and burdensome customs procedures.

The Republican Congress in its last session passed the Customs Simplification Act embodying the major recommendations of the President in this field. Those recommendations which have thus far not been enacted into law have passed the House of Representatives and are due for early consideration in the Senate when it convenes.

The Road Which Lies Ahead

So now it is only right that we should review our own progress in the field of trade policy and attempt to look at the road which still lies ahead of us.

Some believe that the central issue in trade policy is the level of the American tariff. For a number of reasons which I should like to review I believe that this statement of the issues vastly oversimplifies and actually misrepresents the nature of our trade policy problems.

Compared with other factors, our tariffs are not now an important determinant in most instances of the direction or volume of trade. I recognize that there is no satisfactory method of measuring our tariffs against those maintained by other countries, but I should, however, like to remind my listeners that in the opinion of competent observers the United States is far from maintaining the highest tariff level.

Many countries, including some important industrial countries, have higher tariffs than we do. We maintain an intermediate position between such relatively low tariff countries as the Scandinavian countries, Belgium, the Netherlands and Japan and such relatively high tariff countries as France, Germany, Italy and most Latin American and Near Eastern countries. Actually of 43 reporting nations only six have lower import duties than ours, while 35 have higher rates.

Tariff policy debates are frequently looked on as a contest between free trade and protectionism. If we look at our current problem in these terms and if either side of this contest should win a resounding victory, America will be the loser. This would mean that both sides to the debate would lose. A debate on free trade against protectionism is just as old-fashioned as the one-horse shay. We must, however, remind our friends abroad that in the last 20 years a number of practices have developed which affect the direction and volume of international trade far more than tariffs do.

Curbs on Foreign Trade

While we fully recognize the problems which beset many other countries, we must make it clear to them that progress will only be possible if they forsake their import and exchange quota systems, eliminate multiple exchange systems, pursue sound money policies at home, permit the non-discriminatory entrance of foreign capital and take all other steps leading to the ultimate goal of reestablishing convertibility of currencies and multilateral trade.

We come then to this question: What might be a fair basis on which to bring both sides together in agreement on a policy under which this country may trade equitably with the rest of the world? In this, as in so many other respects, even though we may be a "middle of the road" country in tariff matters—not by any means the worst offender—we as the country having the highest standard of living must set the example.

At this point I propose for debate in this country and by the Randall Commission, a new approach to this whole question, and, parenthetically, may I stress the point that here as well as throughout my remarks I speak only for myself.

I propose that we think of the establishment of a new policy in international trade matters — a policy which I shall label *fair* competition—hard, tough, fighting competition, but *fair* competition.

In our free enterprise system, competition is the essential priceless ingredient. It is the motive force in improving the standard of living of our people. If applied generally throughout the world as we have applied it, the standard of living of all peoples would grow toward the approximation of our own.

Competition — the essential priceless ingredient, as I have called it — spurs on businessmen from two standpoints.

First, any given manufacturer knows that if his competitor can make a better product or a product at a lower price his own sales will suffer. He is, therefore, spurred on to keep his product as good as possible and at as low a price as possible in order to maintain his market.

Second, he is continually driven to make an even better product at a still better price so as to expand his market. Every solid advance in the production and distribuiton of the things which people buy and use, both from the viewpoint of utility and from that of cost, comes about because all producers who make the product in question want to make it of the best quality at the lowest price.

They all understand that if they don't succeed they will lose out. In our competitive society, businessmen must constantly improve their products and reduce their costs or they cannot survive.

If this be true, and all who believe in a free enterprise system believe it to be, why, when we have this type of fair competition across the length and breadth of this country, can we not plan for the day when the industries of this country may face the industries of the world on the basis of this hard, tough, but fair competition which I have referred to?

If this type of competition is to exist it must exist with respect to all the ingredients which go to make up a product—management, plant, equipment, methods, raw materials and the labor factor.

The Labor Factor

I am willing for American industry to face the competition of any industry anywhere with respect to all save the labor factor. I am not, however, willing to have American industry compete at the expense of the standard of living of American labor. America has learned that a higher wage policy results in a mass market and enables us to rise to ever higher standards of living. We cannot afford to sacrifice this high wage policy.

I therefore suggest that the Randall Commission consider whether our tariff legislation should not be gradually replaced by a policy which would bring about fair competition in respect to this labor factor as between the U. S. and other countries.

To produce this result, consideration should be given to legislation which protects the American standard of living by taking account in some fair degree for wage differentials after first making due allowance for relative productivity. In this respect I do not suggest either across-the-board tariff increases or decreases or any blanket attempt to equalize the labor factor, ignoring productivity and other relevant factors.

What I do suggest is that in the process of determination, when we come to those products where there exist radical differences in domestic and foreign labor costs not offset by greater productivity and where the output of this product is important to a substantial segment of the American economy, then we be guided in our tariff determination to the end that an adequate recognition of the labor standards of our workers in that industry be made.

Given this type of fair competition, I am entirely willing to place U. S. industry on its mettle as against any other industry anywhere in the world. Thereafter, let

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the man who makes the better mousetrap get the business.

Many will say that it is impossible as a practical matter to take account of this labor differential. I suggest that nothing is impossible.

If we can make a calculator which in an hour can do the work it would take 1,000 men a week to do, if we can split the atom, if we can sit in a plane and talk to our friends on the ground 100 miles away, if we can do countless things not even dreamed of 50 years ago, then we can put our minds to this particular problem and help the Randall Commission bring forth a solution which will allow all nations to exchange their goods and services and additionally to exchange the ideas which have historically followed the course of trade.

The Republican Party, by protecting our infant industries in the earlier days of the Republic, helped to build them into the gigantic, productive mechanism we have with us today. The Republican Party over 50 years ago brought forward for the first time the idea of reciprocal trade to stimulate the exchange of goods. The Republican Party today can mark down another milestone, and by fighting for fair competition and the American standard of living, give international trade another mighty push forward.

Boylen, Kasper Co. Formed

DALLAS, Tex.—Boylen, Kasper and Co. has been formed with offices at 1000 Main Street to engage in a securities business. Officers are T. C. Kasper, President; R. L. Boylen, Secretary-Treasurer; M. E. Boylen and B. L. Kasper, Vice-Presidents.

Perry Blaine Adds

(Special to The Financial Chronicle)

ASHTABULA, Ohio — William H. Wyman has been added to the staff of Perry T. Blaine & Co., 4519 Main Avenue.

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Continued from page 5

The State of Trade and Industry

the last three years has the steel industry had enough capacity to make as much as 2,000,000 tons a week, declares "Steel."

Much of the reduced rate of steel buying is attributed to a downward correction in inventories, "Steel" points out, adding that when steel users knew demand was less than supply, they were inspired to lower their steel stocks to the lowest practical level. In many cases inventory adjustments have been completed. It's thought that in some instances inventories have been reduced so far that their owners would scurry forth to order steel if some event made it appear there would be an uptrend in over-all demand. If they couldn't find a home for their orders they would be in a tight spot, this trade magazine notes.

Although steel demand is currently lower than it was, the long-range predictions for the steel industry radiate an optimism, says "Steel." A large number of economists agree that industrial production in 1954 should not fall much more than 5% below the 1953 level. That should keep steel demand at a high level. Looking not only at 1954 but beyond, Leslie B. Worthington, President of U. S. Steel Supply Division, U. S. Steel Corp., says, "From the standpoint of number of customers, the market is better than it ever has been. We are smack in the middle of a population boom that shows no signs of simmering down."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be at an average of 87.6% of capacity for the week beginning Nov. 23, 1953, equivalent to 1,974,000 tons of ingots and steel for castings as against 90.7% revised), or 2,044,000 tons a week ago. For the like week a month ago the rate was 94.6% and production 2,132,000. A year ago the actual weekly production was placed at 2,203,000 tons and the operating rate was 106.1% of capacity. The percentage figures for the current year are based upon the capacity as of Jan. 1, 1953, the rate this year being higher than last year.

Electric Output Falls Mildly Below Previous Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday Nov. 21, 1953, was estimated at 8,416,116,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 41,226,000 kwh. below that of the preceding week, but an increase of 444,967,000 kwh., or 5.6%, over the comparable 1952 week and 1,259,078,000 kwh. over the like week in 1951.

Car Loadings Drop 2.8% Below Week Ago

Loadings of revenue freight for the week ended Nov. 14, 1953, decreased 20,810 cars, or 2.8% below the preceding week, according to the Association of American Railroads.

Loadings totaled 727,058 cars, a decrease of 101.692 cars, or 12.3% below the corresponding 1952 week, and a decrease of 87,200 cars, or 10.7% below the corresponding 1951 week.

U. S. Auto Output Declines Sharply Because Of Model Changeovers

Automobile output for the latest week declined about 14% below the previous week and 17% behind the 1952 week due to model changeover operations, according to "Ward's Automotive Reports."

The industry turned out 79,979 cars last week, compared with 93,503 in the previous week. A year ago the weekly production was 97,172.

United States truck production last week totaled 23,465 compared with 18,075 the previous week. A year ago truck output was 26,359 units.

Canadian companies made 3,515 cars last week, compared with 3,333 in the previous week and 3,180 in the like 1952 week. Truck production amounted to 985 units last week, against 837 the week before and 2,513 in the year earlier period.

Business Failures Advance Sharply

Commercial and industrial failures climbed to 223 in the week ended Nov. 19, from 155 in the preceding week, Dun & Bradstreet, Inc., reports. Reaching the highest level since January, 1950, casualties were considerably heavier than a year ago when 167 occurred or in 1951 when there were 149. Despite this rise, mortality remained 11% below the prewar toll of 252 in the similar week of 1939.

Failures with liabilities of $5,000 or more rose sharply to 196 from 134 both last week and a year ago. While a slight increase to 27 from 21 appeared among small casualties, those involving liabilities under $5,000, they did not equal their 1952 total of 33 for the comparable week. Sixteen businesses succumbed with liabilities in excess of $100,000, as against 12 in the previous week.

A marked increase prevailed in all industry and trade groups; mortality in manufacturing rose to 52 from 30, in retailing to 96 from 86, in construction to 22 from 17, and in commercial service to 18 from 7. More than twice as many wholesalers failed as a week ago, bringing their toll to 35, the highest in this line since 1950. Failures exceeded last year's level in all five groups.

Wholesale Food Price Index Continues Mild Uptrend

The Dun & Bradstreet wholesale food price index continued its mildly upward movement the past week, rising 1 cent to $6.51 as of Nov. 17, from $6.50 the week before. The current number represents a gain of 3.8% over the year-ago figure of $6.27, but shows a drop of 2.5% from $6.68 on the corresponding date a year ago.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Registers Mild Decline

Continuing to move in a narrow range, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 272.23 on Nov. 17, as compared with 272.71 a week previous. On the corresponding date a year ago, the index registered 284.38.

Grain markets were irregular last week. Wheat and corn were relatively stronger than other grains, reflecting a decreasing volume of marketings and the belief that the flow of both grains into the loan will continue heavy and that price supports will not be drastically changed. Some export business in both wheat and corn was noted during the week. Trading in soybeans was very active and prices advanced sharply on limited offerings and the prospect of short supplies this year. Oats and rye weakened as the result of news of large imports of those cereals from Canada. Sales of grain and soybean futures on the Chicago Board of Trade declined last week to a daily average of 58,000,000 bushels, from 70,000,000 bushels in the previous week, and 40,000,000 in the same week a year ago.

With most bakers and jobbers said to be carrying moderate to fairly good balances, cautious buying policies continued to rule in the domestic flour market.

Export flour business continued slow but an increase in activity was expected this week. Cocoa was irregular. Sharp advances early in the week were later reversed as the result of hedge selling and profit-taking, coupled with easiness in the London market and reports that the marketing board has lowered its asking price for December-January shipment of Accra cocoa. Warehouse stocks of cocoa showed a further drop to 68,361 bags, from 75,301 a week earlier, and compared with 43,644 bags a year ago. Roaster interest in green coffee was maintained at a high level, particularly for Colombian grades which rose to new highs for the year.

Both the raw and refined sugar markets were again under pressure this week with closing prices down sharply from a week ago.

Lard developed a firmer tone, aided by strength in soybeans. Live hogs were in fairly active demand with clearances good and prices ruled slightly higher. Steers were mostly steady; sheep and lambs finished slightly lower for the week.

Spot cotton prices moved in a narrow range last week. Helping to support the market were the smaller than expected increase in the official crop estimates and the rapid rate in which 1953 crop cotton is being placed under loan. CCC loan entries in the week ended Nov. 6 set a new high for the third week in a row at 590,100 bales. Entries for the season to date also set a new high record at 2,973,000 bales. Mill demand for cotton was only fair and mostly for prompt and nearby shipment. The volume of trading in the 10 spot markets declined for the third successive week and totaled 187,700 bales in the latest period, as compared with 210,500 the previous week, and 273,200 in the corresponding week a year ago.

Trade Volume Held Down By Mild Weather

The recent rise in retail trade was slowed in the period ended Wednesday of last week by the return of mild weather to some sections of the nation. While most merchants were able to surpass the sales figures of a year ago, the number with year-to-year declines was much larger than in recent months. Suburban stores continued to chalk up more favorable year-to-year gains than did large city department stores.

Reduced-price promotions and the approach of the gift season were instrumental in sustaining sales at a high level.

Most merchants continued to anticipate a new record Christmas shopping season.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 1 to 5% higher than the level of a year ago. Regional estimates varied from the comparable 1952 levels by the following percentages: New England and East 0 to +4; South and Southwest +1 to +5; Midwest and Northwest +2 to +6; and Pacific Coast +3 to +7.

Food stores reported consumer demand was virtually unchanged from the level of a year ago but up slightly from that of a year before. In preparation for the festive season, housewives boosted their buying of staples, spices, and canned goods. The consumption of beef continued to be substantially higher than the level of a year ago. Supermarkets accounted for a steadily rising share of total food volume.

The consumer interest in household goods edged upward slightly last week and was about on a par with the level of a year ago. The sharp price reductions by one major TV producer were followed by a quick flurry of interest on the retail level; shoppers continued to favor the moderately priced sets. Among the most popular items last week were giftware, radios, decorating materials, bedding and floor coverings.

Trading activity in most of the nation's wholesale markets quickened slightly in the period ended on Wednesday of last week as many buyers replenished their stocks of seasonal merchandise, while others placed early commitments for Spring.

The total dollar volume of wholesale trade continued to be virtually unchanged from the level of a year earlier.

Buyers encountered little difficulty in securing prompt delivery of seasonal items for the holiday shopping season.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, for the week ended Nov. 14, 1953, increased 2% above the level of the preceding week. In the previous week, Nov. 7, 1953, an increase of 3% was reported from that of the similar week of 1952. For the four weeks ended Nov. 14, 1953, a decline of 1% was reported. For the period Jan. 1 to Nov. 14, 1953, department store sales registered an increase of 2% above 1952.

Retail trade in New York last week suffered appreciably from abnormally high temperatures, and as a result, business was estimated at even with to slightly above the level of the like week of 1952.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Nov. 14, 1953, registered an increase of 4% from the like period of last year. In the preceding week Nov. 7, 1953, a decrease of 3% was reported from that of the similar week of 1952, while for the four weeks ended Nov. 14, 1953, a decrease of 4% was reported. For the period Jan. 1 to Nov. 14, 1953, a decline of 1% was registered from that of the 1952 period.

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Mutual Funds

Canada's three-fold "growth-factor" — growth in industrial economy, growth in discovery and development and growth in new products and technology — was under close study in Toronto Tuesday by the board of directors of Canada General Fund, a mutual investment company with investments of over $18,000,000 in Canadian companies.

Canada has undergone a unique economic experience in the post-World War II years, in the opinion of Henry T. Vance, Boston, Mass., President of the Fund.

"What Canada has experienced," Vance said, "has been the valuable coincidence of two kinds of growth — an extremely rapid industrial expansion in the manufacturing area and the discovery of vast raw resources.

"In addition to this set of circumstances, Canada has possessed the ability to utilize the techniques and know-how, as developed in the United States and Canada during the past 50 years, to apply against both kinds of growth, and this has resulted in a three-fold expansion."

Vance, meeting in the Fund's Toronto office with directors and members of the Canadian advisory board, of which the Right Honorable Arthur Meighen, former Prime Minister of Canada, is Chairman, cited a number of examples of Canada's extraordinary growth and development. First among these was the increase of 92%, since the end of World War II, in the Canadian gross national product, as compared with an increase of 62% in the U. S. in the same period of time.

Canada's iron industry was another example.

"Last year," Vance said, "Canada was obliged to import iron. Three years from now Canada probably will be shipping iron to the United States, and in ten years' time Canada might very well supply more iron to the U. S. than does the Mesabi Range."

Titanium and magnesium also hold great promise in Canada's metal industry, he said.

Home construction, another reliable indicator of a nation's growth, currently is approximately 40% higher in Canada this year, compared with 1952 figures, while U. S. home construction has begun to slip below last year's, it was pointed out.

"An interesting area in the Canadian utilities business is the natural gas field," Vance said. "This hasn't really been touched in Canada yet. Canada has huge and rapidly rising reserves of natural gas, but long-distance gas transmission pipelines haven't been laid yet. It is difficult to tell how large Canada's natural gas reserves actually are, but in studying the sedimentary basins, Canada's gas reserves give every indication of being half a dozen times as great per capita as they are in the United States."

The Canadian industry with the greatest potential, members of the board agreed, is oil.

"Since the war," Vance said, in speaking for the board, "oil reserves have come up from virtually nothing to about two billion barrels. There were about 600 producing wells in Canada in 1946. Today, seven years later, there are about 4,000."

Discussing the electrical equipment industry in Canada, the board emphasized that an important approach to the industry is to "look at the installed horsepower in Canada."

Canada at the present time has approximately 14,000,000 horsepower installed, but present plans of utility companies and others put that figure up to 18,000,000 by 1955, the board said.

"This healthy and encouraging growth," Vance said, "is reflected in the general spirit of optimism which prevails in Canada regarding its industrial future. Needless to say, this optimism is shared in the United States."

A CURRENT study of non-ferrous metals issued by the investment management department of Calvin Bullock, sponsors of mutual funds, points up this country's dependence for the long term on imports to satisfy its requirements.

"Despite the great strides in industrial activity," the text states, "combined domestic mine production of copper, lead and zinc is below 1929 and only roughly equal to 1937 levels.

"Currently actual imports of both lead and zinc greatly exceed required imports, so that the domestic industry is now advocating before the Tariff Commission for a sliding scale import tax or tariff."

The study finds the present price of copper somewhat on the high side, in view of large U. S. and British stockpiles and the presence of 125,000 tons of unsalable Chilean copper. Return to the 24-25 cent level for copper is deemed likely. Present lead and zinc prices are considered to represent more or less of a bottom, in view of high production costs.

THE BOND Fund of Boston, in its semi-annual report for six months ended Sept. 30, 1953 shows a gain in net assets to $3,064,291 compared with $2,583,164, six months earlier. Net asset value per share was $7.98 compared with $8.04 on March 31.

A semi-annual dividend of 14 cents per share, representing approximately the rate of gross earnings for six months ended Sept. 30, was paid to shareholders of record Sept. 14.

The Fund's portfolio is now divided into 67% utilities; 24% industrials and 9% rails. Owners of the Fund's shares include: profit sharing funds and non-profit organizations 17%; individuals 40%; insurance companies and other corporations 43%.

BOSTON FUND, for the three months ended Oct. 31, 1953, reports total net assets at $92,830,639, equal to $22.72 per share on 4,085,665 shares of stock outstanding, compared with $86,010,958, equal to $22.82 per share on 3,769,498 shares outstanding a year ago. The number of stockholders increased to 24,404, a new high, compared with 21,987 a year ago.

As of Oct. 31, 1953, the Fund's investments were diversified as follows: Common stocks, 58%;

Beardsley Ruml Becomes National Director

Beardsley Ruml, business executive and originator of the pay-as-you-go income tax plan was elected Monday to be a director of National Securities & Research Corporation, it was announced by Henry J. Simonson, Jr., President, after the regular board of directors' meeting.

Mr. Ruml, shown at the far right attending a recent National meeting, will also act as Economic Advisor for National Securities Series, now with assets in excess of $130,000,000.

He commented, after the board meeting, that, "I have been a supporter of the investment fund principle for many years. In an article appearing in a national magazine in 1950, I wrote: 'The business of the investment companies is to give to investors, large and small, a means of putting their savings into the ownership of business, with diversification, with management and with liquidity. The cooperative investing idea is a good idea. Its time has arrived.' "

Fund Begins in Atomic Field

The Atomic Development Mutual Fund, Inc., a Delaware corporation, on Nov. 18 filed a registration statement with the SEC covering the public offering of 90,000 shares of its common stock. The corporation, organized in Washington, D. C., will invest in "activities resulting from atomic science."

Public offering of the stock, according to the registration statement, will be made on Dec. 8, 1953 by the Atomic Development Securities Co., principal distributor of the stock, through security dealers in the District of Columbia, Maryland, Pennsylvania, New Jersey, Connecticut, and New York.

The Fund was organized by Atomic Development Securities Co., a partnership of Merle Thorpe Jr., attorney with the firm of Hogan & Hartson, and Newton I. Steers Jr., until recently with the Atomic Energy Commission as Assistant to the Assistant General Manager. Mr. Steers is President of the Fund, and Mr. Thorpe will serve as Chairman of its Board of Directors.

Auchincloss, Parker & Redpath will act as investment adviser to the Fund, and Nuclear Development Associates, Inc. of White Plains, N. Y., as its technical adviser. The Riggs National Bank will serve as custodian of the Fund's assets, and American Security & Trust Co. will be transfer agent.

Affiliated Fund
A Common Stock Investment Fund
Prospectus upon request
LORD, ABBETT & CO.
New York — Chicago — Atlanta — Los Angeles

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corporate bonds, 24%; and preferred stocks, 18%.

Following are the major portfolio changes in the three month's period:

HOLDINGS INCREASED

Security	Bought (Face Amt.)
BONDS	
Gen. Mtrs. Acpt. Corp. 3⅛s, 1955	$1,000,000
Pacific Finance Corp., 4s, 1959	500,000
PREFERRED STOCKS	Shares
Amer. Water Works Co. 6%	10,000
COMMON STOCKS	
Atlas Powder Company	1,000
Community Pub. Serv. Company	2,600
Florida Power Corporation	3,120
Gulf Oil Corporation	1,040
Iowa Electric Light & Pwr. Co.	10,400
N. Y. State Electric & Gas	2,819
Traders Finance Corp. "A"	1,500
Pacific Gas & Elec. Company	1,800

HOLDINGS DECREASED

Security	Sold (Face Amt.)
BONDS	
Amer. Tel & Tel. Co., 3⅜s, 1973	$700,000
Food Mach. & Chemical Corp., 3.20s, 1976	400,000
Thompson Prod., Inc., 3¼s, 1971	215,000

COMMON STOCKS purchased during the past three months by Diversified Investment Fund included 9.000 shares of Air Reduction, 16.000 Canada Dry, 11.500 Commercial Credit, 7,500 Hilton Hotels and 6.000 National Gypsum. All holdings of common shares of Associates Investment Co., Caterpillar Tractor, Minnesota Power & Light and Montana Power were sold during this period.

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INVESTORS SELECTIVE FUND

Investors SELECTIVE FUND, Inc.

Notice of 32nd Consecutive Dividend.

The Board of Directors of Investors Selective Fund has declared a quarterly dividend of twelve cents per share payable on November 27, 1953, to shareholders of record November 17, 1953.

H. K. Bradford, President

Investors SELECTIVE FUND, INC.
Minneapolis, Minnesota

WELLINGTON WF FUND

96th Consecutive Quarterly Dividend

20c a share from net investment income, and 46c a share distribution from realized securities profits, payable December 29 to stock of record December 4, 1953.

WALTER L. MORGAN, President

Institutional

- BANK FUND
- FOUNDATION FUND
- GROWTH FUND
- INSURANCE FUND

Institutional

- INCOME FUND, INC.

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As We See It

file come to an early and clear understanding of these issues and reach a definite determination that they be faced next year. Otherwise, these issues, or at least a number of them, are all but certain not to receive the consideration and the action they evidently require.

Basic Questions

We gladly leave all political catch phrases to those who are fond of them. With equal readiness we refrain from discussion of questions of political tactics. Only in the broader and more profound sense have we any particular interest in political strategy. Indeed any interest at all that may be ours in political strategy is a direct outgrowth of our conviction that in the long run the rank and file are moved decisively by basic questions of the public good, and are not to be bull-dozed beyond a certain point by pretense.

And so it is that we are concerned wholly with basic questions of public policy as they affect the good of the country over the years. What disturbs us most is the apparent lack of interest in these aspects of the situation on the part of so many members of both political parties—particularly among those most active in the affairs of these two national organizations. Almost daily comes word from some legislator, or from several of them, that this or that course of action must be taken because it would be "political suicide" to fail to do so—as if catering to the whims, the popular notions, or the selfish interest of various elements among the voting population were statesmanship!

How distressingly seldom, by contrast, do we read of serious discussions among these politician-legislators of the formulation of broad national policies which, soundly conceived, could be expected to serve the general public interest in the years, the decades, and even the centuries to come. How depressingly infrequent are the occasions when these groups of party members—in either party, that is—seem to be directing their attention primarily to the broad public good rather than to the business of getting votes and holding political support! And when some such task is at least ostensibly assayed, how often is the result but an echo of glib pseudo-statesmen of New Deal or Fair Deal origin who neither by training nor by experience are fitted to lay out broad national plans—except on lines embodying the philosophy of other lands where the essence of traditional Americanism is unknown, not understood, misunderstood, or scorned as "outdated"!

Able Men—But Party Bound

There are, of course, party members in both parties who have no sympathy with this sort of dreadful piffle. Some of them are men of real stature—some of them in each of the great parties. At critical moments they sometimes come to the fore to save the day—and the country—from much that no one really wants. Such men, however, are not in the majority of either party. They are, moreover, party bound in the sense that they are more or less inextricably part and parcel of their parties.

Others who have no sympathy with modern departures from Americanism and who for one reason or another enjoy important influence in party councils, are inclined to ride hobbies to death, are obsessed with local interests and local prejudices, are slaves to over-reaching political ambitions, or simply have not the understanding or the grasp of national affairs which would enable them to lead their confreres into paths of great and lasting statesmanship. Of course, some such situation has often existed in the past; perhaps it would not be going too far to say that it has usually existed in one degree or another for a good many years, even decades past. It does, however, seem to us to be present in greater degree now than in most recent years—and we are quite certain in our own minds that need for a vastly different sort of public figure is greater today than for a long, long while past.

There is still another element in the current situation which gives us some concern. It is the overworking that the concept of the "middle of the road" is getting. One would suppose that all policies could be measured in terms of inches to the left or the right of center, and that once programs are established as about on dead center or not very far from it nothing more need be said in their defense. This has always seemed to us to be so childish as to cause us to wonder that the notion has gained such a hold upon so many intelligent people. Yet here it is. Can we not forget about "left" and "right"—we know of no one who has or can define the terms adequately anyhow—and go to work finding out what is good for all of us over the years, and then supporting it? We must not let the "middle of the road" soothing syrup lull us into a failure to do some such thing without delay.

The time to formulate and launch a really constructive program for next year is at hand. Let the President and the Congress not for a moment forget or neglect this fact.

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Observations . . .

publicity. The writer hardly considers a one-line identification as coming in this category. It was adopted to afford an easy opportunity for owners to communicate with one another.

The principal danger in the proposed change is that employee stockholders may be afraid to communicate with the proponents of a proposal if they have to write the Secretary, and therefore the proposed change should also allow a statement to the effect that the information is also on file at the SEC.

Irrespective, however, of the final decision of SEC on this particular point, corporations which avail themselves of such a loophole will not, in the opinion of the writer, be practicing good stockholder relations. A belief in corporation democracy can only be proven when a corporation management pays more than lip service to the doctrine in pious platitudes in printed speeches or reports.

However, the most serious of the proposed changes, which far outweigh any of the points previously covered, is what Chairman Demmler calls "reliance on state law." He says the burden of proof will be on the corporation management. If SEC means what it says in this statement that is fine, as then we will still have protection against arbitrary interpretations for the sake of management convenience.

But we maintain that the only way this can be made effective against management abuse is to have a clear cut definition of what is to be considered as exclusively in the province of management.

Resolutions involving such important matters of conflict or possible conflict between management and owners as bonus payments to executives, general pension issues, pre-emptive rights and even cumulative voting are matters which must be considered as having nothing to do with the everyday operation of the business itself.

Yet a strict definition of "province of management" or reliance on state law interpretation as to what is a proper subject to come before an annual meeting could outlaw such proposals since they have to be couched in the form of a request that the Board of Directors take such action in order to allow the issues to be presented to the meeting. Therefore any roadblocks placed in the path of the owners by the Securities and Exchange Commission could not be considered as other than a denial of corporate democracy and a triumph for corporate oligarchy.

If the Commision is prepared to rule that such subjects, if they receive the requisite percentage of the vote, are proper subjects, as they have in the past, then the interests of corporation democracy will continue to be safeguarded as the Chairman has indicated is his continued desire.

It is not the writer's desire or intent to prejudge the new administration of Chairman Demmler. If he and his associates on the SEC intend to be fair and impartial in their rulings on proposals where there is an honest difference of opinion between management and public shareholders, so much the better. No one will then be more pleased than the writer. But meanwhile the independent shareholders are entitled to watch with care and vigilance any attempted changes in rules which have created a greater feeling of security than in the past among educated and intelligent investors.

Public Hearings

Finally, the writer agrees with Mr. May that if the changes are to be maintained in their presently proposed form, then indeed the public interest warrants public hearings. This is the more important because the leading mover for a change in the proxy rules, a management body known as the American Society of Corporate Secretaries, was actually given a hearing by SEC. Yet no such opportunity was afforded opponents of the proposed rule change. We were only able to write letters of comment and protest against the changes and not even allotted too much time to do this effectively.

In concluding this letter it would, however, be unfair to Chairman Demmler and his associates not to point out that some of the proposed changes will be beneficial to the shareholders. For example, for the first time the holdings of all directors will have to be given in proxy statements, not merely as at present in the case of those up for election. This is, of course, important in the case of corporations which utilize the controversial stagger system of election of directors.

Or again, there is the fine proposal that in future management must inform independents of objections to printing proposals or reasons at least 20 days before sending preliminary proxy material to SEC. At present some managements wait until the last minute before making their viewpoint known to the owners, which is obviously grossly unfair, as the SEC now recognizes.

By adoption of this proposal the SEC will be in a position to consider impartially both sides of any argument as to whether or not the objections made are valid and should or should not be recognized in the interests of fair play for both management and shareholders.

LEWIS D. GILBERT.

New York City
Nov. 22, 1953.

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Convertible Currencies in Free World Is on the Way

disappear, and that the individual trader might be reduced to case-by-case attempts to place an order here and an order there, with no prospect of continuity or stability of policy. Today, in 1953, the quota and the barter deal are still with us, and are widespread. In one large and unfortunate sector of the world these devices and many more are, furthermore, used as instruments of political aggression.

We have, however, made progress since 1938, in spite of war. First, most of the important nations of the free world have declared their intention to do away with quotas and barter deals and similar administrative restraints upon trade at the earliest possible moment. We should not underestimate this development. Those of you who were actively engaged in world trade before the war will recall that the nations which had been foremost in developing these techniques were declaring them to be "the way of the future" and many other nations, resorting to these devices in self-defense, were coming to think that they would necessarily become the conerstones of world trading practices. Now, at least, we in the free world abjure them in principle.

The second reason for hope is that our Trade Agreements Program, which I cited as a favorable development in 1938, has continued to chip away at unnecessary trade restrictions here and abroad. The mutual give and take of tariff negotiations under this program has further reduced the barriers which hamper foreign trade. Our exporters have benefited by the reduction of tariffs abroad. Foreign exporters have benefited by reduction of tariffs here. Consumers in both areas have benefited through lower costs.

The general public, here or overseas, does not fully appreciate the extent to which the United States has played its part in this cooperative effort. The facts are shown in a recent short study on this subject made by the Tariff Commission in Washington. The Commission has found that during the period of the Trade Agreements Program duties have been reduced on commodities accounting for 90% of the total value of our dutiable imports. Rates have been reduced on more than 3,000 items. If the Trade Agreements Program had not been in effect the study estimates that our tariffs in 1952 would have amounted to 10% of the value of our total imports and more than 24% of the value of our dutiable imports. With the Trade Agreements Program in effect, however, the 1952 rates were in fact only half as high—5% of total imports and 12% of dutiable imports. In 1952, more than one-half of our imports were subject to duties of 10% or less; without the Trade Agreements Program the figure would have been one-third of our total imports. In 1952, only 6% of our imports carried duties of more than 30% — without the Trade Agreements Program the figure would have been 25% of our imports. This has been done gradually and realistically, piece-by-piece, without any serious damage to American business, but on the contrary to its benefit.

I know that our friends in foreign countries will say that the United States still has excessive tariffs; particularly on certain types of manufactured goods. We should always be ready to review the facts carefully. But at the same time, it is only fair to look at the record and to realize, from figures such as those cited, that the United States has taken a leading part in trying to free the world from unnecessary trade restrictions.

The third reason for hope for the future lies in the open-minded approach to the trade problem which we are undertaking under the leadership of the President. In 1938, I pointed out that in the circumstances then existing, typified by the great strength of the United States, the most favorable development for the United States would be one "in which, with an expanding total trade, our imports of foreign goods would gain relative to our exports." This statement is, if anything, more forcefully applicable to our position in 1953 than it was in 1938. Our relative economic strength has increased tremendously. What is called for, I believe, is a complete new look at our trade and investment policy to ascertain how we can best conduct ourselves in the light of our preponderant economic strength. This is precisely what President Eisenhower has set about to do. The Commission on Foreign Economic Policy, whose membership is drawn from the Congress and the general public, and which has the benefit of the leadership of Mr. Clarence Randall, is now engaged in an intensive review of this very subject.

Trade barriers are still with us and they present complex problems. But we have rejected in principle the most arbitrary kinds of trade restrictions; we are continuing to chip away at the barriers through our Trade Agreements Program; and we are undertaking a dispassionate and objective study of the kind of world trade policy which best fits the position of our country.

Currency Stability

Now as to unstable currencies. When I appeared before this group in 1938, I observed that we were perhaps finding our way out of the morass of competitive devaluations which was the curse of the depression years. There is as much reason and I hope better reason to be optimistic in 1953. Fifteen years ago I was encouraged by two things. The first was the fact that the U. S. Treasury had maintained the dollar at a fixed gold value for nearly five years. The maintenance of this stable value had unquestionably lessened the confusion and disorder among currencies and facilitated trade. The power in the law for the Administration to change the value of the dollar has now expired and the dollar is more firmly committed to the present gold value. That is good for monetary stability through the world. It is good for honest money.

The second thing which gave me encouragement in 1938 was the Tripartite Agreement, which was designed to place a check on competitive devaluations, avoid arbitrary and erratic exchange movements and promote a fuller mutual understanding among the participants. In 1953, we have improved considerably upon that mechanism. Fifty-five countries of the world are now joined together in the Monetary Fund with the stated purpose of avoiding competitive devaluation and erratic exchange movements. This organization exerts a constant beneficent pressure and stimulus towards honest international money.

Unstable and regimented currencies still remain, however, a foremost problem for the international trader. In the period since the war this problem of unstable currencies has in some respects been exactly the opposite of that which troubled us in the 1930's. The problem which faces the American trader today is not so much the prospect of competitive devaluations, but the problem of inflation and overvalued foreign currencies, which lead to balance of payments difficulties and force countries to take arbitrary and sudden steps, in both the trade and exchange field, to shut out the goods of free currency countries.

As I say, these problems remain. International inflation and the related overstimulation of demand have created exchange difficulties — sometimes called "the dollar shortage"—which still persists in many countries of the world. Whereas competitive devaluation was the curse of the 1930's, inflation has been the curse of the postwar period.

But here again there is reason for hope. In the first place there is today a much more widespread understanding, not only on the part of those in positions of responsibility, but also among the general public, that unsound internal monetary practices lead to foreign exchange difficulties. There is a rapidly spreading recognition of the fact that sound money at home leads to a strong currency abroad, and to a stable and prosperous international trade. Country after country has demonstrated at one time or another that a sound budget and prudent control of the money supply and credit facilities, with realistic interest rates, leads rapidly and directly to an expanding international trade. It is an important lesson to have learned.

My second reason for optimism is that in the past year the vexing problems of trade imbalance and exchange difficulties have eased considerably. Europe as a whole —the keystone of the free world economy outside of this continent —has attained a measure of stability which has permitted it to balance its dollar accounts and even to build up reserves considerably, this in the face of increased expenditures for defense.

It would not be prudent for us to bank too much upon this gain, for two reasons: In the first place, some of the financial gains of the recent past have resulted from those very restrictions on the import of dollar goods which we seek to eliminate. Secondly, we all know that similar gains in the past have been rapidly dissipated by a relaxation of efforts to withstand internal inflation. We are well justified, however, in taking some encouragement from improvement which has occurred. A part of it, at least, is firmly based on sound monetary and fiscal practices and improved competitive ability.

In summary, the major countries of the free world are pledged to follow orderly international exchange practices; throughout the free world, including the United States, there has appeared a vigorous trend toward halting the creeping inflation which followed war inflation and trade balances have shown marked improvement. We may hope that these favorable developments can be continued and strengthened.

Problems Ahead

Now as to the prospects for the immediate future. I will touch upon three problems, which I should like to put in the form of questions which have to be answered.

The first question is this: Are our friends overseas justified in fearing a recession in this country which will disrupt their efforts to maintain a healthy level of exports?

I know that you have all seen evidences of this fear. Countries which believe that their exports may suddenly decline because of a recession in this country are inhibited from taking the courageous steps which would be beneficial both to them and to us. For this reason, a continuing high and reasonably stable level of economic activity in the United States is perhaps the best contribution we can make to the world economy.

Having said that, let me make one thing clear. It is not, and it never can be, the policy of this country to inflate the American economy as an offset to inflation abroad. To put it another way, there is no sound way of assuring a large American demand for foreign goods regardless of their price. We appear to be entering a period of increasingly competitive world trade in which each country's power to compete will rest on its industrial costs and the soundness or unsoundness of its internal fiscal and monetary policies. We are committed to a policy of sound money in the United States—we will not be inflexible in the conduct of our monetary and economic affairs, but we seek to avoid either a crippling inflation or an equally crippling deflation in this country. We recognize that our very size in the economic picture makes even a mild recession here a matter of concern to foreign countries, and we are resolved to do our best to maintain a healthy, stable and growing economy here since we know that it benefits us as much as it does our foreign friends. In this process there will be periods of tight money as well as easy money and even at the best some fluctuations in business volume. They are the earmarks of a dynamic economy.

My second question is this: Are the members of this group, and the American public as a whole, ready to accept a balancing of the international accounts of the United States?

We have only two alternatives. We can maintain a high level of exports by continuing to pour out vast sums of the taxpayers' money in the form of grants and credits to foreign countries. This policy leads to additional burdens upon the Treasury, to unbalanced budgets, to the inflationary forces which ultimately will cripple our economy. But the alternative, if we are to continue to expand our exports, is to accept the goods and services which foreign countries, in free and fair competition, are able to sell in our market and competing markets abroad. I am sure that this is a question which will be of major concern to the Randall Commission, and I shall not attempt here to anticipate the findings of that group.

My third and last question—and I think it presents a real challenge—is this: Is the American foreign trader ready for convertibility of foreign currencies?

Throughout the postwar period the reestablishment of conditions of convertibility and non-discriminatory multilateral trade has been a major aim of the U. S. Government and it has continuously had the support, in those endeavors, of groups like the National Foreign Trade Council. While it would be rash to make any predictions into the future, it seems apparent that today our foreign friends are closer to achieving that convertibility than at any time since the end of the war. I do not know when and how the return to convertibility will be achieved. It will certainly not come from unilateral action taken only by the United States. More specifically, it would not be realistic to expect that this goal can be achieved by reduction of United States tariffs alone. The complete elimination of each and every American tariff would not be sufficient to launch the world on a new era of stable and lasting convertibility.

As I have said earlier, the Randall Commission is studying this general problem of our tariff barriers. In addition to whatever we may do about our tariffs there are other developments which may assist our foreign friends in stabilizing and freeing their currencies. An expanding American economy will require more raw materials and foodstuffs from abroad. The increase of American tourist expenditures, already substantial, may be expected to continue. We will continue to buy foreign gold as it is offered to us, and gold production is increasing overseas. All of these things should, through time, strengthen the position of friendly nations overseas.

But the crucial steps toward the goal of convertibility will have to be taken by those countries themselves. Through increases of efficiency, through a concentrated effort to expand exports of goods and services, and more importantly by a constant vigilance with regard to internal financial stability, our foreign friends can improve their competitive position in world trade, and also attract an increasing amount of private American investment.

It is important for American traders to recognize, as we enter into a period when convertibility becomes more possible, that the word "convertibility" is only a sort of shorthand phrase which is intended to depict a certain kind of world. It means a world in which foreign countries have succeeded in balancing their international accounts, and have every prospect of keeping them in balance. It means a world in which a foreign country's goods can compete with American goods in its own domestic marekt, in the United States market, and in third markets throughout the world. Convertibility means, therefore, a situation in which the American exporter faces a much keener type of competition than he has faced thus far in the postwar period. It is the opposite of the situation of recent years, when an unlimited demand for American goods was financed, in large part, by American dollars taken from American taxpayers. Is the American foreign trader ready for this kind of a world?

There seems to me reason for confidence. When our friends overseas become able — through increases in productivity, through more carfeul attention to costs and, more importantly, through sound monetary and fiscal practices—to balance their international accounts and overcome their foreign exchange problems, I do not believe that the American exporter will be driven from world markets. With our enterprise and our productivity and our marketing ability Americans will win a fair share of any market which is open in the manner which convertibility implies.

The other side of the shield is that with good convertible money through the free world, markets now nearly closed will be opened to American goods, the total volume of trade will be stimulated, and our mutual building up of greater economic strength will increase our power to resist aggression.

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Interest Rates and Outlook For High Grade Bonds

should expect materially higher rates than were seen earlier this year, according to this view.

To do justice to those who subscribe to the secular trend approach, we should recognize that theirs is not simply a mechanical projection. They point to at least four major factors in creating this long-term rising trend of rates:

(1) The extreme easy money policies of the 1930s have been thoroughly discredited and no longer enjoy widespread support on either political or economic grounds.

(2) The rise in interest rates is a general phenomenon throughout the world, reflecting heavy armament requirements at a time when the expansion of productive capacity creates a continuously high demand for funds.

(3) The long-term inflationary trends which persist throughout the world justify a higher scale of rates, in part to offset the declining purchasing power of fixed incomes. Furthermore, higher rates can play a useful part in efforts to combat inflationary tendencies.

(4) During this great period of expansion, the heavy demand for long-term capital will be further enlarged by technological progress and the boost given by inflationary pressures to the usual incentives for increasing productive efficiency by intensive mechanization.

This is a fairly impressive catalog of reasons for expecting a persistent rise in interest rates. We should observe, however, that they give much more emphasis to the demand for money than to the supply side of the equation. For example, while recognizing that a persistent inflation raises the cost of capital expenditures and may also stimulate enlarged outlays, we should not lose sight of the fact that, as in the postwar years, a broad inflationary movement also produces a very large volume of liquid savings. The potential demand for long-term capital must be considered in relation to the extraordinarily effective job which our various thrift institutions are doing in assembling the small savings of many individuals and channeling them into productive investment.

No Secular Trend in Interest Rates

A more comprehensive view of both supply and demand factors, in my opinion at least, suggests that there is no pronounced long-term or secular trend in interest rates in the United States. Studies of savings behavior over a period of 50 or 75 years indicate that the proportion saved out of national income is relatively constant. On the other hand, there is no evidence that the maintenance of an expanding productive capacity and the satisfaction of a high average demand for capital goods require any increase in the proportion of resources set aside from current consumption. As a matter of fact, technological progress may require a smaller capital investment; or a relatively higher service component in our rising standard of living may require less long-term investment.

The alternative approach, the one to which I subscribe, is based on the notion that interest rates are a cyclical phenomenon. Because the flow of liquid savings is so much more stable than the demand for money to meet outlays for fixed assets and to provide working capital, this view holds that interest rates will fluctuate primarily in accord with the rate of expansion in business. As savings lag behind or tend to run ahead of this volatile demand, interest rates are likely to rise and fall within broad limits. The extent of the range of rates will depend on the credit and debt management policies of the authorities, the efficiency of thrift institutions, and the influence of rates set by custom or contract; but it is assumed that the fluctuations will be around a general level at which most of the business is done and that this level is not moving noticeably higher or lower in conformance with any secular pattern.

It is quite evident, then, that I believe in applying a cyclical approach in making this afternoon's appraisal of the outlook for high-grade bonds. This suggests that the business outlook in the months ahead deserves its share of attention.

The Business Outlook

It appears that March was the peak month of this second major phase of the postwar boom, and that the decline is now in its eighth month without disastrous consequences. We are now in one of those wait-and-see periods, watching to see whether the "dip" will turn out to be something more serious. At the moment, about all we can say is that there have been no signs of real trouble. The speculative booms which followed the outbreak of war in Korea have long since been liquidated. Prices generally appear to have been through a substantial correction. In short, there are no visible evidences of major weaknesses in the economic situation which would justify expecting a drastic readjustment. Nevertheless, I doubt that any of us would care to see the situation too thoroughly tested by a wave of inventory liquidation or a similar type of development.

It is clear enough that inflationary influences are dormant, that we are mainly concerned about the extent of a possible downturn, and that the demand for money from business and individuals is declining. This seems like an adequate description of the kind of influence business conditions are likely to have upon interest rates. What about high-grade bond prices in the period ahead?

Significance of the Boom in Bonds

By now the student of the bond market is entitled to be thoroughly bewildered by the range of 1953 fluctuations. Probably never, in the absence of war panics or money crises, have such drastic price changes ever been compressed into so short a period of time. The decline in the longest Treasury 2½% bonds of about five points to the June lows and the recovery of the entire loss during the recent strength in prices assure the year 1953 of a prominent place in bond market history.

This round trip in prices reflects the swing of the pendulum to tight money and back again. The severity of the decline last spring reflected four principal developments in an atmosphere of restrictive credit and debt management policies:

(1) The acceleration of private financing caused in part by the prospect of a Treasury long-term bond offering.

(2) The unexpectedly high cash requirements of the Treasury as a result of disappointing tax collections.

(3) The heavy borrowings in the bond market of the sales finance companies.

(4) Widespread fear that restrictive policies might be even more aggressively applied.

All of these factors in causing the debacle in prices soon disappeared or lost their strength. The complete change in credit policy made by the Federal Reserve provided the greatest impetus for the recovery, but the supply and demand situation was also changing at the same time.

The recent boom in bond prices represents, however, merely a recovery from the excessively low levels to which they were driven by an unusual combination of circumstances last May and June. The behavior of the market in recent weeks represents a recovery move which may or may not represent the first stage of a new bull market in bonds. Before jumping to any conclusions, we had better take a close look at the various elements in the picture.

Supply and Demand Factors in the Capital Market

The basic approach to any appraisal of the outlook for interest rates is, of course, the supply and demand situation. Here we must apply our views on business prospects to various elements in the money market. The following conclusions for 1954 appear reasonably solid at this writing:

(1) The volume of outstanding consumer credit is levelling off, ceasing to be an expansionary factor in either the short-term or the long-term sections of the market.

(2) With a lower level of housing starts in prospect, combined with higher contractual amortization, the demand for new mortgage money should decline by 15% to 20%, or perhaps more.

(3) Retained earnings plus a higher total of depreciation and depletion accruals should enable business to finance most of its reduced requirements internally. Net new corporate bond financing could be off by as much as one-third.

(4) Bank loans to business should show at least a moderate decline in the course of the year.

(5) The volume of tax-exempt bond financing of all types should be just about equal to this year's totals.

Thus, on the basis of the supply and demand outlook, there are strong reasons for expecting declining interest rates and rising bond prices. Even the extensive refunding of existing bank loans could be taken in stride in the light of these projections. However, they do not take into account operations of the Federal Government and its demand for funds at both short and long-term. We are all aware of the difficulties of trying to bring the budget into balance on a cash basis, and we are also aware of the Administration's intention to use tax reductions as important weapons in combating the business slide. We are probably safe in assuming, therefore, that deficit financing will be with us for some time to come. In addition, there is the Administration's avowed intention to accomplish a major realignment of the maturities of the public debt. Undoubtedly this will be another major influence on the money markets.

We are hardly justified under the circumstances in taking for granted an uninterrupted boom in bond prices, especially in view of the rapidity and the extent of the recent rise. Although a continuation of the present high rate of liquid savings will very comfortably accommodate the visible demand from private sources, we know that the Treasury is willing and able to supply virtually unlimited amounts of long-term bonds to the market. If this were done, the effect, at the very least, would be to slow down the advance in Government bond prices and, at most, they might be unable to hold part of the most recent advances. The increase in allotments to 10% more than the $2 billion target on the latest new money financing was a reminder that few opportunities to extend maturities in an orderly way are likely to be overlooked. On balance it would appear that Treasury issues have consolidated a good part of the recovery from the lows of late last spring.

We may anticipate that during 1954 the Treasury will be able to take several important steps in rearranging the public debt. Conditions should be favorable since it appears that life insurance companies, mutual savings banks, savings and loan associations, and pension funds will have money to invest in medium and long-term Governments. Non-financial corporations, which have been an important market for short-term paper, are not likely to make any important net increase in their holdings for the year. In fact, as accrued tax liabilities decline, they may even be liquidating Governments on balance.

The tax-exempt bond market has probably seen its lows, but the very large volume of new issues in prospect should thoroughly temper any enthusiasm. The recovery in the mortgage market ought to continue. In fact, the improvement might be quite pronounced if new housing starts and the turnover in existing properties show even greater declines than now anticipated. Corporate bonds have staged a rapid recovery in price in recognition of the prospective moderation in the pace of the new issue market. Prices are now back in the trading range which was established after the removal of the "pegs" in March, 1951. This seems like a reasonable range to anticipate for at least the next several months.

The Impact of Credit Policy

On the basis of the factors visibly at work, therefore, it seems reasonable to conclude that interest rates will decline only moderately over the next year or so. This point of view, of course, represents the corollary to the expectation that business activity will decline only gradually and to a quite modest extent. At this point we come to the much less predictable area of governmental policy. It seems quite safe to assume that no return to a really restrictive program is in prospect. Rather, the question is how far the authorities might go in aggressively pursuing the change to an easier money situation which occurred in June. This is obviously an area in which theories and practical political considerations may produce the same or different policy decisions, depending upon the circumstances prevailing at the time. However, it is my belief that if the slide in business should continue faster and further than now anticipated, tax reduction would be promptly supplemented by easy money as a major anti-deflation measure.

There is room for extensive debate as to the efficacy of easy money in checking a business down trend, but there is no disputing the fact that such a policy can do some good and certainly will do no harm. Furthermore, the use of such an impersonal weapon as general credit policy is entirely consistent with the Administration's philosophy. It fits neatly into the over-all strategy of creating the most favorable atmosphere possible for businessmen and consumers to arrive at spending and investing decisions which will contribute to economic stability. The vigor of the application of the easy money remedy will depend upon whether the "dip" becomes more serious.

In the companion field of debt management, it seems clear that the objective of refunding a portion of the short-term debt will be kept in a position subordinate to the main purpose of avoiding any restrictive action. In my opinion, the Treasury can and will do an orderly job of extending maturities without placing more than a damper on prices, particularly now that the commercial banks are apparently willing and anxious to own longer-term issues.

Some Concluding Observations

These remarks have emphasized the close relationship between business and money market prospects. The most logical expectation is for an easing in business of not much greater proportions than the slide from 1948 to the middle of 1949. If this proves to be the case, interest rates will go somewhat lower but not show any great change from today's level. However, there remains the outside chance that business will be worse than we now anticipate. In that event, we should expect really easy money conditions.

These prospects, or at least my interpretation of them, suggest that the rise in interest rates which started in 1946 may have come to an end in June of this year. If so, the movement of rates would have approximately coincided with the broad industrial expansion of the postwar years. This reminds us of the cyclical character of interest rate behavior. It supports a skeptical attitude toward the long-range or secular projections of interest rate trends which have been the vogue in recent years. If there were at work some such persistent tendencies which we might identify, the appraisal of the future would certainly be ever so much simpler. Unfortunately, however, it appears that there is no such easy answer. Instead, it will continue to be necessary to re-examine the situation from time to time and to retain as much flexibility as possible to get along in a fluctuating bond market.

W. R. Cotter Opens

DALLAS, Tex.—W. R. Cotter has opened offices in the Gulf States Building to engage in the securities business. He was formerly with E. F. Hutton & Company.

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Continued from page 7

The Institutional Investment Market

savings bank must pay only 15% of 52%, or 7.8%, on dividend income. On capital gains, they are subject to the 25% rate. Hence, the opposite situation prevails with a taxed institution as with an individual investor: dividend income pays the smaller tax.

Finally, keep in mind that substantial market depreciation may be undesirable for these institutions even though it is only temporary. A fire insurance company, a casualty company, a life insurance company or a mutual savings bank has its stocks valued for statement purposes at market. Since capital or surplus ratios are generally thin, deductions for depreciation of investments can be inconvenient. That is a major reason, apart from current business cycle considerations, for the great favor shown in more defensive type stocks by these institutions. There is less risk of decline in price as well as less risk of a decline in dividends. Public utilities stocks have marked appeal for these institutions because their defensive characteristics are clear-cut.

With these considerations in mind, let us look at preferred and common stocks to see how they fit into the portfolios of these institutions.

First, we will consider preferred stocks. Preferred stocks are attractive to institutions because of their yield and tax status.

Preferred stocks give a higher yield than an institution can get either from bonds or mortgages. Standard and Poor's computes for us every month the average yield of 11 high-grade preferred stocks. For September, these high-grade preferred stocks yielded 4.30%. While an FHA mortgage offers 4.50%, a good conventional mortgage say 5%, after deducting the expense of originating and servicing mortgages the yield usually averages less than 4.30%. With preferred stocks, once bought, the only expense is that of depositing the dividend check every quarter.

Moody's corporate bond index—Triple A, Double A, A, and BAA—the four top ratings—all put together, gave an average yield of 3.54% at the same time. That meant that there is a difference of 76 basis points between average yields from bonds and from preferred stocks.

Granted, preferred stocks are not as good as bonds as a class. They do not have the contractual protection of a fixed obligation to pay interest and principal. Even if a company has no bonds outstanding now, it may put out bonds in the future that will come ahead of preferred. Nevertheless, this differential for high-grade preferreds is attractive. One can use this argument to show that 76 basis points is a more than adequate differential for any lesser quality in preferreds as against corporate bonds, as a class.

Long-term governments in the same month gave an average yield of 2.97%. The difference in yields from governments, the best investment we have, and that from corporate bonds was thus 57 basis points. There is a considerably wider differential between yields from high-grade preferreds and corporates than there is between corporate bond and government bond yields. This points to the conclusion that preferreds are attractive from a relative yield standpoint.

This comparison ignores the tax advantage of dividend income. For an institution like a savings bank whose surplus and reserves exceed 12% of deposits, like a stock fire insurance or casualty company, the preferred stock is particularly attractive on a yield basis. For them the interest income of 3.54% for corporates and 2.97% for governments is subject to a 52% tax. The preferred stock dividend is subject to only a 7.8% tax. After tax the effective corporate bond yield would be about 1.75%, while the preferred stock yield would be about 4%. The difference in quality could not justify a difference in effective yield of anything like 225 basis points. For institutions whose income is fully taxed, the argument for the preferred is just overwhelming.

Sometimes one hears that preferred stock is neither fish nor fowl, that it is not as good as a bond and yet does not possess the advantages of common stocks. Maybe that is a good thing for institutional investors who want a higher yield than bonds offer, including the tax advantage, without the risks attaching to common stocks.

High quality preferred stocks have a place in institutional portfolios, and for taxed institutions an outstanding place. Corporate bonds cannot do for taxed institutions anything like what good preferreds can do.

True, preferred stocks are not usually an attractive financing medium to a corporation because interest paid on bonds the corporation sells is a deduction from taxable income; the dividend paid on preferred stock is not. That is why many corporations do not like to sell preferreds, so that good issues may become quite scarce if institutions bid for them vigorously. Now, the chief source of new preferreds is the public utility companies. As corporate debt increases, a number of other corporations could find preferred stock financing attractive despite its tax disadvantage as against bonds to the issuer.

There is another argument for institutional investment in high quality preferred stocks. Preferreds will not move with common stocks if they are high in quality; they will tend to move with bonds. They are entitled to a set rate of dividend, and they appeal to the same investors as do bonds. If they fluctuate with bonds, then preferreds should be bought when interest rates are relatively high and prices are low. When interest rates go down again and bond prices rise, preferred stocks could enjoy substantially greater price advances than do bonds. Many preferreds are non-callable, whereas with callable bonds the call price becomes a virtual price ceiling. Even where preferreds are callable, they usually must be called at a substantially higher premium than bonds.

In a recession, we may see a new wave of refundings of the higher coupon bonds put out in the last few years with lower coupon bonds. Institutions would then find many higher coupon bond investments will be called at modest premiums and replaced with lower coupon issues. This would not be true of non-callable preferred stocks, and less true of preferreds having high call prices.

Preferred stocks thus provide an opportunity for institutions to retain a high yield for a long time after interest rates go down.

A sensible policy for institutional investment in preferred stocks would include the following principles:

One, an institution should buy best quality preferreds giving assurance of dividend stability under all foreseeable conditions.

Secondly, institutions may want to favor sinking fund preferreds, so that the issue will be gradually reduced in amount as a safeguard against any future decline in earnings coverage.

Thirdly, the time to buy preferreds is in a period of relatively high interest rates, when yields are most attractive.

Now turning to common stocks, we find the great advantage they offer institutional investors is a higher yield. Relatively high as is the yield on good preferred stocks, that offered by a representative group of common stocks is materially higher.

You can follow relative yields from month to month in the "Weekly Supplement to the Survey of Current Business." The third issue of the month—in October, Oct. 16—gives the yield averages. It shows 200 common stocks, including all the major groups, gave a return in September of 5.74% on the average. These common stocks thus gave 144 basis points more in yield than did the 11 high-grade preferred stocks.

As compared with corporate bonds, again taking Triple A, Double A, A and BAA, these two hundred common stocks (which include such groups as insurance and banks that pull down the yield average) gave 222 basis points more yield.

The tax benefit is the same as with preferreds. A taxed institution gets an 85% inter-corporate dividend credit.

One of the most widely discussed tax reforms this Administration would like to achieve is relief from double taxation of corporate income distributed as dividends. A corporate investor has relief from double taxation. The inter-corporate dividend credit gives the corporate investor much more relief from double taxation than the individual investor can hope to get, in that the corporation gets an 85% credit on inter-corporate dividends.

Common stocks, unlike bonds, mortgages or preferred stocks, also possess a yield growth factor, since they are entitled to all the earnings of the corporation after prior charges and dividends. I am not here using the word growth in the usual sense, but only about that based on retained corporate profits.

All corporations pay out somewhat less than half their earnings as dividends. Hence, an average common stock yield of 5.74% means average earnings on current prices of 11.5%. That other 5.75% now stays in the business.

If earnings are sustained, either one of two things will happen. Either the business will continue to need large retained earnings, in which case the money will be put to work for stockholders to produce more income out of which more dividends can in time be paid; or the company will not have need for so much retained profits. Then the only thing it can do is to pay out more, which also means higher dividends in the future. In other words, in the future retained earnings will either be put to work for more income or they will be paid out. True, earnings may decline in the future, but a moderate decline would not preclude some increase in dividends when new capital needs dwindle.

Statistically, at least, common stocks are now attractive as a class to institutional investors. They offer an average return of almost 6%, while an average of nearly 6% more is being retained and paves the way for future increases in dividends. The only fly in the ointment is that future earnings may not be anything like as large as present earnings for many companies, when economic conditions become less favorable.

Common stocks have these three major advantages to institutional investors:

(1) The highest yield offered by any class of institutional investments.

(2) A tax advantage that individual investors just dream of, in the shape of the 85% inter-corporate dividend credit, if they are taxed.

(3) A concrete growth factor based on the fact that the average corporation pays out only half its earnings after taxes as dividends, the rest being available for future increases in dividends or for profitable reinvestment.

What are the disadvantages of common stocks to institutional investors to be balanced against these advantages? The biggest disadvantage is that common stocks have no appreciation ceiling. A bond or preferred stock cannot go much above par, because of the limited return. But common stock can rise indefinitely with earnings, since its return is not limited. Without a price ceiling, there is no nearby price floor. The higher up you go the harder you can fall.

Moreover, the common stockholder is the residual investor in the company. Bonds and preferred stock come ahead. When earnings decline, common stock takes the brunt.

A third weakness is the lessened assurance of stability of income. Dividend rates rise and fall, always with notable exceptions like A. T. & T. which has paid the same dividend rate in inflation and deflation, prosperity and depression, war and peace.

It is wise in servicing an institutional client investing in equities to recognize at all times that common stocks involve more risk than other classes of investments.

The problem is to realize the higher rate of return available and yet minimize the risks. At the same time, we should remind the institution of the finding of the National Bureau of Economic Research that, between 1900 and about 1943, 20% of all corporate bonds offered during that period suffered default.

One way to minimize the risk of equity investment is timing purchases. Mortgages, bonds, or preferreds can be bought pretty much at any time, although the best policy is to seek to concentrate purchases in periods of high interest rates, to secure higher yields. Common stocks, on the other hand, involve the risk of wide price swings. It is essential, therefore, to avoid concentrating purchases when prices are relatively high. That is the chief objective of timing.

There are several ways to time common stock purchases. The best, because it is the simplest, is the practice known as dollar averaging. If a life insurance company decides it wants to buy $10 million of common stocks, for example, it should invest one million dollars in common stocks each year for ten years. That does two things. First, it avoids concentrating purchases at one time when prices are high, whenever that may be. Secondly, when stock prices are lower over the next ten years the insurance company will be buying more for its million dollars than when they are higher, so that it is averaging down its cost with market declines.

Over the next ten years there will be periods of high stock prices and of low stock prices. By investing a million dollars every year, the company will be buying more shares at times when prices go down, and fewer shares when prices go up.

Dollar averaging is ideal for building up a fund. It is perfect for a pension fund which increases indefinitely.

For a fund that has already accumulated the desired common stock portfolio in the main, then the so-called formula plans can solve the timing problem. The basic aim of a formula plan is to buy on a scale-down, and sell on a scale-up.

A simple formula plan might divide the Dow-Jones industrials average into ten zones between 100 and 400. The percentage of common stocks to the total institutional portfolio could then be increased when the average drops into a lower zone, and reduced when it moves up into a higher zone. This assures buying on declines and selling on advances.

Secondly, risk can be minimized through selection. When stock prices are relatively high, defensive stocks are most desirable. A good definition for a defensive stock is an issue which is less subject to decline in price and to reduction in dividend than the average.

The classic example of defensive common stocks is the public utility. Utility rates did not go up during the inflation, so they are so much less likely to decline with inflation over. Also, utilities do not face the risk of losses. The demand for their service showed a vigorous growth right through the century. There were only two years in this century when power output did not rise, and that was at the worst of the depression. Rapid technological progress brings down unit costs.

Bank stocks are another good example of defensive issues today. They were not in 1929, when they sold at big premiums above book value. But the average bank stock is now selling at a discount below book value.

Any group is defensive if you can prove that it is less subject to decline in price and to reduction in dividend than the average. This holds true of so-called growth stocks, provided no great premium must be paid for growth.

A third thing an institution can do to minimize risk in common stock portfolios is to set aside a part of the dividend income as a reserve against future losses. This is done with mortgages. Life insurance companies are putting aside annually one percent on their common stocks as a reserve, as approved by the National Association of Insurance Commissioners.

For successful institutional investment in common stock, risk can be minimized by timing, by selection, and by setting aside some part of dividend income as a reserve to absorb possible loss or dividend reductions in the future.

I am sure that over a period of years equities are going to become a much more important medium for institutional investment than they have been in the past. But equities will attain the full role for which they are destined only when, (1) there is a less adequate supply of bonds and mortgages; (2) it becomes clear that government measures can moderate business fluctuations so that we will not again have depressions like that of the 1930's, which proved so disastrous for equities; and (3) institutions perfect specialized techniques for equity investing to secure the higher yields while minimizing risk.

The Wall Street community can do much to foster equity investment by financial institutions through providing professional assistance of high caliber. That is the role you men can play in hastening the day when equities will constitute substantially more than 8% of the portfolios of the financial institutions that today hold $147 billion of the nation's savings.

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 29	§87.6	*90.7	94.6	106.1
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 29	§1,974,000	*2,044,000	2,132,000	2,203,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 14	6,219,250	6,130,000	6,310,950	6,621,800
Crude runs to stills—daily average (bbls.)	Nov. 14	¶6,951,000	6,962,000	6,866,000	7,096,000
Gasoline output (bbls.)	Nov. 14	24,540,000	23,552,000	24,263,000	23,973,000
Kerosene output (bbls.)	Nov. 14	2,364,000	2,314,000	2,678,000	2,472,000
Distillate fuel oil output (bbls.)	Nov. 14	10,044,000	10,071,000	10,393,000	10,898,000
Residual fuel oil output (bbls.)	Nov. 14	8,258,000	8,252,000	8,263,000	8,651,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 14	144,954,000	143,732,000	142,796,000	123,313,000
Kerosene (bbls.) at	Nov. 14	36,779,000	37,578,000	37,653,000	32,247,000
Distillate fuel oil (bbls.) at	Nov. 14	133,983,000	135,873,000	130,902,000	119,148,000
Residual fuel oil (bbls.) at	Nov. 14	51,696,000	51,336,000	53,103,000	51,942,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 14	727,058	747,868	822,539	828,750
Revenue freight received from connections (no. of cars)	Nov. 14	627,565	638,016	664,545	699,123
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 19	$244,704,000	$251,725,000	$289,333,000	$269,883,000
Private construction	Nov. 19	103,123,000	121,145,000	149,576,000	164,746,000
Public construction	Nov. 19	141,581,000	130,580,000	139,757,000	105,137,000
State and municipal	Nov. 19	107,074,000	107,001,000	115,805,000	76,422,000
Federal	Nov. 19	34,507,000	23,579,000	23,952,000	28,715,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 14	8,810,000	8,820,000	9,515,000	*10,541,000
Pennsylvania anthracite (tons)	Nov. 14	597,000	536,000	676,000	931,000
Beehive coke (tons)	Nov. 14	80,100	*80,100	80,400	78,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 14	133	*121	118	130
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 21	8,416,116	8,457,342	8,306,426	7,971,149
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 19	223	155	185	167
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 17	4.632c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Nov. 17	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Nov. 17	$35.33	$35.33	$32.83	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 18	29.625c	29.675c	29.450c	24.200c
Export refinery at	Nov. 18	29.050c	29.025c	28.800c	34.875c
Straits tin (New York) at	Nov. 18	83.750c	81.750c	79.250c	121.250c
Lead (New York) at	Nov. 18	13.500c	13.500c	13.500c	14.500c
Lead (St. Louis) at	Nov. 18	13.300c	13.300c	13.300c	14.300c
Zinc (East St. Louis) at	Nov. 18	10.000c	10.000c	10.000c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 24	94.67	95.06	95.71	97.11
Average corporate	Nov. 24	106.04	106.04	105.52	109.42
Aaa	Nov. 24	110.88	110.70	110.70	113.50
Aa	Nov. 24	107.98	108.16	107.44	112.19
A	Nov. 24	105.86	105.86	105.00	108.88
Baa	Nov. 24	100.00	100.00	99.20	103.80
Railroad Group	Nov. 24	103.80	103.97	103.64	106.56
Public Utilities Group	Nov. 24	106.21	106.21	105.34	109.79
Industrials Group	Nov. 24	108.16	107.98	107.62	112.19
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 24	2.87	2.85	2.80	2.70
Average corporate	Nov. 24	3.39	3.39	3.42	3.20
Aaa	Nov. 24	3.12	3.13	3.13	2.98
Aa	Nov. 24	3.28	3.27	3.31	3.05
A	Nov. 24	3.40	3.40	3.45	3.23
Baa	Nov. 24	3.75	3.75	3.80	3.52
Railroad Group	Nov. 24	3.52	3.51	3.53	3.36
Public Utilities Group	Nov. 24	3.38	3.38	3.43	3.18
Industrials Group	Nov. 24	3.27	3.28	3.30	3.05
MOODY'S COMMODITY INDEX	Nov. 24	399.8	396.2	393.9	404.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 14	227,346	355,840	220,232	215,183
Production (tons)	Nov. 14	256,655	266,329	261,213	243,255
Percentage of activity	Nov. 14	95	97	97	96
Unfilled orders (tons) at end of period	Nov. 14	480,726	510,994	516,972	548,900
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 20	106.16	106.07	106.0	109.44
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	Nov. 7	21,501	24,150	20,145	26,428
Number of shares	Nov. 7	639,953	699,998	579,679	746,831
Dollar value	Nov. 7	$27,813,028	$33,439,247	$24,339,678	$33,993,771
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 7	21,322	22,524	17,731	21,544
Customers' short sales	Nov. 7	179	257	228	123
Customers' other sales	Nov. 7	21,143	22,267	17,503	21,421
Number of shares—Total sales	Nov. 7	618,214	654,992	497,206	593,701
Customers' short sales	Nov. 7	6,075	9,146	10,185	4,700
Customers' other sales	Nov. 7	612,139	645,846	487,021	589,001
Dollar value	Nov. 7	$23,400,649	$24,948,106	$19,087,496	$23,855,896
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 7	192,500	226,680	148,970	180,790
Short sales	Nov. 7	------	------	------	------
Other sales	Nov. 7	192,500	226,680	148,970	180,790
Round-lot purchases by dealers—					
Number of shares	Nov. 7	230,400	264,050	229,530	315,680
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	Oct. 31	317,530	343,740	318,720	353,110
Other sales	Oct. 31	6,696,720	6,407,510	4,991,020	6,461,170
Total sales	Oct. 31	7,014,250	6,751,250	5,308,740	6,814,280
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 31	744,230	704,920	575,640	710,330
Short sales	Oct. 31	135,440	148,510	119,040	146,590
Other sales	Oct. 31	552,930	567,910	458,290	576,630
Total sales	Oct. 31	688,370	716,420	577,330	723,220
Other transactions initiated on the floor—					
Total purchases	Oct. 31	221,210	238,780	155,450	149,060
Short sales	Oct. 31	20,400	31,600	23,200	20,900
Other sales	Oct. 31	209,050	251,550	157,700	159,920
Total sales	Oct. 31	229,450	283,150	180,900	180,820
Other transactions initiated off the floor—					
Total purchases	Oct. 31	286,500	263,105	174,005	271,420
Short sales	Oct. 31	29,550	43,900	38,990	82,560
Other sales	Oct. 31	280,315	276,157	199,302	321,531
Total sales	Oct. 31	309,865	320,057	238,292	404,091
Total round-lot transactions for account of members—					
Total purchases	Oct. 31	1,251,940	1,226,805	905,095	1,130,810
Short sales	Oct. 31	185,390	224,010	181,230	250,050
Other sales	Oct. 31	1,042,295	1,095,617	815,292	1,058,081
Total sales	Oct. 31	1,227,685	1,319,627	996,522	1,308,131
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Nov. 17	109.8	109.9	110.0	110.4
Farm products	Nov. 17	93.2	*93.7	94.5	102.6
Processed foods	Nov. 17	103.9	*104.1	104.2	105.6
Meats	Nov. 17	84.5	*85.2	87.4	99.4
All commodities other than farm and foods	Nov. 17	114.6	114.5	114.6	113.0

*Revised figure. ¶Includes 630,000 barrels of foreign crude runs. §Based on new annual capacity of 117,547,470 tons as of Jan. 1, 1953 as against the Jan. 1, 1952 basis of 108,587,670 tons.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of October (in millions):			
Total new construction	$3,223	$3,290	$3,094
Private construction	2,113	2,165	2,007
Residential building (non farm)	1,045	1,077	1,051
New dwelling units	920	950	935
Additions and alterations	100	102	98
Nonhousekeeping	25	25	18
Nonresidential building (nonfarm)	516	506	441
Industrial	183	179	193
Commercial	179	174	105
Warehouses, office and loft buildings	76	71	46
Stores, restaurants, and garages	103	103	59
Other nonresidential building	154	153	143
Religious	46	45	39
Educational	40	39	33
Social and recreational	16	15	12
Hospital and institutional	26	26	33
Miscellaneous	26	28	26
Farm construction	119	144	133
Public utilities	423	428	375
Railroad	49	44	48
Telephone and telegraph	55	54	53
Other public utilities	319	330	274
All other private	10	10	7
Public construction	1,110	1,125	1,087
Residential building	45	47	51
Nonresidential building	379	378	379
Industrial	150	150	165
Educational	160	155	137
Hospital and institutional	23	25	40
Other nonresidential building	46	48	36
Military and naval facilities	116	116	128
Highways	395	400	362
Sewer and water	69	73	61
Miscellaneous public service enterprises	21	23	19
Conservation and development	74	76	81
All other public	11	12	6
COAL EXPORTS (BUREAU OF MINES)—Month of August:			
U. S. exports of Pennsylvania anthracite (net tons)	254,074	220,099	422,763
To North and Central America (net tons)	254,074	220,099	377,538
To South America (net tons)	------	------	1,289
To Europe (net tons)	------	------	43,821
To Asia (net tons)	------	------	115
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES—Estimated short and intermediate term credit in millions as of September 30:			
Total consumer credit	$27,588	$27,434	$27,204
Instalment credit	21,174	21,058	20,855
Automobile	10,159	10,067	10,043
Other consumer goods	5,305	5,314	5,175
Repair and modernization loans	1,511	1,494	1,469
Personal loans	4,199	4,183	4,168
Noninstalment credit	6,414	6,376	6,349
Single payment loans	1,986	1,086	1,979
Charge accounts	2,711	2,670	2,648
Service credit	1,717	1,720	1,722
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Nov. 1:			
Production 500-lb. gross bales	16,093,000	15,596,000	15,136,000
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of September:			
Contracts closed (tonnage)—estimated	217,600	*244,607	207,695
Shipments (tonnage)—estimated	255,599	*251,109	227,595
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of October:			
Deliveries (number of cars)	8,727	5,706	5,437
Backlog of orders at end of month (number of cars)	35,171	42,198	90,703
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS' ASSN.)—Month of Sept:			
Factory sales (number of units)	227,253	*188,536	237,541
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1935-39 = 100—Month of Sept.			
Seasonally adjusted	232	*235	228
Unadjusted	236	*238	232
LIFE INSURANCE — BENEFIT PAYMENTS TO POLICYHOLDERS — INSTITUTE OF LIFE INSURANCE—Month of September:			
Death benefits	$167,530,000	$157,326,000	$146,410,000
Matured endowments	37,155,000	35,611,000	34,400,000
Disability payments	8,683,000	7,982,000	8,253,000
Annuity payments	33,477,000	33,904,000	28,532,000
Surrender values	54,548,000	55,733,000	48,768,000
Policy dividends	81,787,000	54,829,000	56,273,000
Total	$383,180,000	$345,385,000	$322,636,000
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Oct.:			
Industrial (125)	5.60	5.76	5.62
Railroad (25)	6.73	7.13	6.14
Utilities (not includ. Amer. Tel & Tel.) (24)	5.36	5.56	5.30
Banks (15)	4.54	4.64	4.29
Insurance (10)	3.35	3.40	3.15
Average (200)	5.59	5.74	5.56
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of August:			
Net railway operating income	$101,635,603	$94,427,908	$105,227,432
Other income	20,806,097	17,366,199	16,843,623
Total income	122,441,700	111,794,107	122,071,055
Miscellaneous deductions from income	3,997,753	3,145,749	4,460,016
Income available for fixed charges	118,443,947	108,648,358	117,611,039
Income after fixed charges	84,829,929	74,898,144	84,217,290
Other deductions	3,303,505	2,909,774	3,026,823
Net income	81,526,424	71,988,370	81,190,467
Depreciation (way & structure & equipment)	42,255,336	42,155,656	41,047,320
Federal income taxes	56,624,106	51,878,806	58,890,251
Dividend appropriations:			
On common stock	29,281,127	19,780,491	26,690,526
On preferred stock	4,802,527	4,474,575	4,511,274
Ratio of income to fixed charges	3.52	3.22	3.52
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Oct. 31	$272,875,011	$273,000,647	$257,376,855
General fund balance	5,481,433	7,478,492	5,517,087
Net debt	$267,393,578	$265,522,155	$251,859,768
Computed annual rate	------	2.456%	2.200%

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A Period of Consolidation Ahead For New Peacetime Expansion

economy, I believe, should enter in the last quarter of this year or early in the next a period of contraction in business activity marked by a moderate drop in the volume of industrial production, something of the order of 5 to 10% overall.

Those who are overly influenced by the estimates of disposable income and sales will disagree with this view. Those who give undue weight to the indexes of production in specific lines, particularly the basic lines I mentioned, such as steel, motors and rubber, will jump to the conclusion that a serious depression looms. Both will be wrong.

As I see it from observations on business trips and from discussions with business leaders the contraction is arising from the efforts of producers to consolidate their positions on the sales front, on the production line and in the accounting offices. It arises from major campaigns by producers along two lines:

(1) Producers are seeking to bring relatively high prices into line with the general level of prices.

(2) Producers are trying to bring costs into line with prices, particularly with levels of prices that will move goods.

If management maintained rigid price and cost schedules, if management clung to the attitude that costs and prices are inflexible, the business contraction we are undergoing in certain lines might very well extend into a recession.

But for some months we have seen evidence, for example in the new and used automobile lines and in electrical and household appliances, that producers are ready to price their products at levels that will move them. If this attitude is matched by a determination to achieve adequate economies in the costs of production, such levels would restore or maintain reasonable profit margins.

With high levels of employment and output, with the economy growing more efficient, with disparities in prices and costs being eliminated, with adequate profits being earned you cannot have a serious depression. The economy would be moving toward expansion, not contraction.

From the evidence it is clear what sort of period American business is entering. Our economy is in the throes of a stage of consolidation.

We Are Entering a "Consolidation Phase"

After six years of peacetime expansion, there is a temporary halt for consolidation of the gains of the expansionary period. This has happened with considerable regularity in the history of the great expansion of the American economy over the last 75 years. Consolidation of the gains of the past sets the stage for a new period of growth.

How long the consolidation phase will run no man can know. It may take a few months, or it may not run its course until the end of 1954. It depends on the decisions and actions of men, which is beyond our present powers of prediction.

If enough leaders of business adopt a Polyanna attitude and remain complacent about the price-cost situation, the consolidation period may be strung out. On the other hand, if enough leaders of business join the calamity-howlers and talk up a depression, the period might be shortened somewhat. There is nothing like a depression—or fear of it—to bring about cost adjustments fast, however painfully and disruptively.

It is right here that we need straight-line thinking.

Logical analysis of the facts about our present situation will commend neither of these courses to us. Our people should be united in the determination that our national economy, the first line of our defense in the long run, shall be strong, indeed, impregnable. I am hopeful, therefore, that all elements in our society will join in carrying this through. If they do, this consolidation of the economic and financial position of American business will be accomplished speedily, thoroughly, efficiently and soberly.

This policy by business, together with realistic economic and financial policy by the government, should be adequate to prevent any prolonged and deep contraction in business activity.

The Debt Structure

Prices, costs and personal debt are high. Indeed, when we look into some aspect of the country's debt structure, we are reminded of Mark Twain's "speculator in lands and mines" in "The Gilded Age," who boasted about his "prosperity." "I wasn't worth a cent two years ago," he said, "and now I owe $2 million."

These economic indicators are high. But so are jobs, incomes, liquid assets in the hands of consumers and the disposition of consumers to spend.

Some prices are under pressure. But during the past year in several lines, notably woolen products, goods were moved again at previous rates when prices were dropped. The experience with white sales teaches a valuable lesson. Merchants who dropped prices too far soon found themselves out of stock. So long as goods keep moving, devastating price declines cannot reappear.

We have divided counsels because our economy has a split personality. The consolidation period will re-integrate it. I should like to go into some detail on the task facing management in this period, because the commercial finance industry can greatly facilitate management's task. It is important that we know what our country and its business enterprises may expect from us.

First: Management must root out the wasteful production practices that sprang up in the wartime and postwar booms. The work force must be distributed evenly and efficiently in the plant without padding of manning tables at any point in the production line. Labor costs vary from a small to a large fraction of total costs in the various industries of our economy. But in all companies substantial gains are possible from more efficient use of the labor force.

This means production must be rationalized from the beginning to the end of the production process. It may call for the scrapping of more or less obsolete machinery and equipment and the substitution of current, improved models. Great gains have been made from the installation of modern materials handling equipment but this still has a long way to go before efficient modern practices are general in American industry.

The commercial finance industry will be of service to managements who need funds to carry through these improvements. We should listen to their proposals along these lines with added interest since such efforts serve not only the particular company but our country's economy. We can make a decisive contribution by helping managements to work out practicable programs that will result in lowering production costs.

Second: Management must plan and schedule the flow of production so as to even out the peaks and valleys in output. This requires careful planning of storage and shipment of goods in various stages and finished goods to keep their costs at a minimum.

The recent reduction in overtime reflected, in part, some production cutbacks. But it also reflected an effort by progressive managements to elminate overtime work. Overtime work is not only more costly in payroll, but in manhour output, quality standards and spoilage of materials. The effort to reduce it or eliminate it practically entirely can only result in strengthening our economy.

Inventories

Here again the commercial finance industry can play a statesmanlike role in its services to the business community. Efforts to even out production schedules inevitably raise questions connected with inventory policy. During the past year, in a few isolated lines, notably farm machinery and household appliance lines, inventories have tended at times to become excessive. Our industry will not encourage speculation in inventory and it will urge its customers to display caution about maintaining relatively high inventories or increasing them.

But for a specific industry, production cost goals or the competitive situation may make even a moderate increase in inventory advisable on sound economic grounds. We will continue to judge each company with which we deal on the merits of its own situation. Where cautious inventory accumulation will clearly benefit a particular company, its managers will find that plans may be formulated upon which the strengthening of the company can be financed.

Third: The quality, variety and performance of the products turned out by American industry must be improved because the consumer demands it. The upgrading of products and associated services must be achieved without significant increase in prices.

In every period of sharp competition there is a very large reduction in real prices that does not show up on the price indexes. It consists in giving more product performance for the same money. The companies that meet and better their competition, whether it come from large companies or small ones, are the ones that will survive and grow. The companies that do not will find their markets shrinking.

To compete, a company must have something to compete with. The quality of the materials and workmanship that go into a product, the quality of the product itself in advanced design, up-to-the-minute styling and consistent performance under various conditions of use, these are the sort of things that make selling points.

The war introduced a great deal of uniformity in product lines which has persisted. Much of this is good; variety that has no practical justification involves waste. But where conditions of use vary, uniformity may narrow markets. Markets have no sharply defined limits. Many a company has prospered because it developed markets where no one suspected they existed.

The commercial finance industry will be ready to serve the company that has a program for aggressive competition. Our services are well suited to assist it. We know that competition strengthens the company that is ready to compete and, in doing so, strengthens the economy.

Intensification of Sales Programs

Fouth: Sales organizations and sales and promotion programs, based on the competition between similar products, often may have to be reorganized to do a more effective and efficient selling job.

Our industry should be prepared to serve the company that takes whatever steps are indicated to expand their sales. Some market shares are going to be enlarged in this period.

It is difficult to conceive of aggressive competition without larger advertising budgets. Some advertising dollars can always be spent more effectively. But history shows that often in the past when the total output of the economy has dropped, resourceful managers have kept up their sales volumes by increasing their advertising efforts.

The increase in advertising budgets in 1945, when gross national product was declining, played an important part in bringing about the phenomenal upsurge of 1946. The increase in advertising outlays was large, from three to three and one-half billion dollars. But, along with other favorable factors, it helped to produce a boom that eventually added $100 billion to national product. Advertising is a powerful weapon against business contraction.

These are the main lines by which some managements will consolidate the economic and financial positions of their companies amidst the competition that will prevail in the months ahead. Straight-line thinking dictates that the lesson they teach be learned by those who, today, without warrant are rejoicing over or bemoaning the country's present business situation.

These and related measures, if aided by realistic and flexible government policy and carried through successfully by business, will set the stage for the next great expansion of the American economy.

That expansion will come, no matter how dark the future may look for any particular company or industry. It will come the sooner, the more vigorously and resourcefully we prepare for it. There will be a continuing demand for the funds of the commercial finance industry in the next six months. Equally, there will be unprecedented opportunity for us to help our customers strengthen their financial positions so that they can participate in the next great upsurge in our economic growth.

We must maintain a firm stand against both the Polyannas and the calamity-howlers. There are areas in our economy that require vast improvement; there are situations crying to heaven for correction. But we must not let it be overlooked that there are forces at work that assure, within the foreseeable future, a resumption in our economic progress.

It is not only the economy that requires stability. We need it in our thinking. The times put a premium on sober judgment.

But they put a premium, too, on hard-headed thinking about the present, forward-looking thinking about the future. "The little that is done," said Goethe, "seems nothing when we look forward and see how much we have yet to do."

Macaulay, the great English historian, commented in 1830 on distress that had appeared in England.

"But how small will that distress appear," he pointed out, "when we think over the history of the last 40 years: a war, compared with which all other wars sink into insignificance; taxation, such as the most heavily taxed people of former times would not have conceived; a debt larger than all the public debts that ever existed in the world added together; the food of the people studiously rendered dear; the currency imprudently debased and imprudently restored."

Would Macaulay's ghost have to change these remarks about 1830 England very much to fit them to America on the eve of 1954? Or these?

"Yet is the country poorer than in 1790? We firmly believe that, in spite of all the misgovernment of her rulers, she has been almost constantly becoming richer and richer. . . . A single breaker may recede, but the tide is evidently coming in."

The tide did come in until it was reversed by the revolutions of 1848 in Europe. Hopes ebbed, but Macaulay reassured his countrymen:

"Another secular period is now about to commence," he said, "There is no lack of alarmists, who will tell you that it is about to commence under evil auspices. But from me you must expect no such gloomy prognostications. . . . Ever since I began to make observations on the state of my country I have been seeing nothing but growth and I have been hearing nothing but decay.

"The more I contemplate our noble institutions, the more I am convinced that they are sound at heart. . . . They still stand, august and immovable. . . . I see no reason to doubt that, by the blessing of God on a wise and temperate policy, on a policy in which the principle is to preserve what is good by reforming in time what is evil, our civil institutions may be preserved unimpaired to a late posterity. . . ."

Gentlemen, how prophetic was the great Macaulay. That kind of straight-line thinking prepared England for her greatest period of expansion, in which she became the world's leading economic power. It is that kind of straight-line thinking that America needs in our present hour.

Three With Murphey-Favre

(Special to THE FINANCIAL CHRONICLE)

PENDLETON, Oreg.—Sprague H. Carter, Sprague H. Carter, Jr., and Leonard I. Skarie are now associated with Murphey-Favre, Inc. of Spokane.

Henry Blass Opens

Henry Blass is engaging in a securities business from offices at 19 Rector Street, New York City, under the firm name of Henry Blass Co. He was previously with Ira Haupt & Co.

With Livingston, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Robert W. Wagner is now associated with Livingston, Williams & Co., Inc., Hanna Building.

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A Preview of Administration's Labor Policies

of bringing in additional workers under the coverage of the act.

(2) We are doing everything that we can, through the work of the Bureau of Labor Standards and the Women's Bureau, to encourage the development of adequate minimum wage laws in the States.

(3) We will, through the Wage and Hour and Public Contracts Divisions, intensify the enforcement of the Fair Labor Standards Act; and, finally,

(4) We are working hard to find ways and means to bring about an increase in the present 75-cent-an-hour minimum to a more realistic level in keeping with present-day levels. We do not yet know what that level should be. I do know that the CIO platform calls for $1.25. Just as soon as we come up with our findings, the Department of Labor will make recommendations to the President for action by the Congress.

The campaign to keep and raise our standard of living here in America is inseparable from the world-wide struggle against poverty and privation. Just as the living standards of some Americans are threatened when the living standards of some of their fellow citizens are inadequate, so America's economic health will be uncertain while the rest of the world is depressed. This Administration takes very seriously America's responsibility and obligation to lend our strength and our resources to the world.

Organized labor, including the CIO, has cooperated magnificently in this endeavor, and your support for the foreign policies of your Government has not gone unnoticed. A vital part of those policies, as you well know, involves the membership of the United States and its active role in the I. L. O.—The International Labor Organization.

The I. L. O., in its 34 years of existence, has demonstrated again and again its usefulness and effectiveness in the battle which goes on all the time against the exploitation and oppression of labor throughout the world. The United States is one of 66 member nations and its delegations to I. L. O. councils are composed of representation from labor, industry and government. Soviet Russia, as you know, is not a member of the I. L. O. and has made no effort to cooperate in I. L. O. activities in the postwar period. On the contrary, Soviet officials have continuously assailed the I. L. O. as "an instrument for protecting monopolies and trusts."

Just 12 days ago, however, Soviet Russia presented the Director-General of the I. L. O. with a document which was intended to serve as notice that Russia was electing membership in the I. L. O. Russia's right to do so reposes in the fact that such a right is accorded by the I. L. O. charter to any member-state of the United Nations.

But Russia is not electing membership under the terms of the I. L. O. charter. The document delivered by Russia to the Director-General states in effect that Russia will enter the I. L. O. only if accorded certain exemptions from the obligations of I. L. O. membership, particularly with respect to the World Court.

Russia's refusal to accept all of the obligations of I. L. O. membership—and all other I. L. O. members have accepted all of the obligations of I. L. O. membership—could paralyze the work of the I. L. O. It would erect a formidable roadblock on an avenue which freedom-loving people everywhere have used to travel forward to a better life.

The Government of the United States taxes the position that under these conditions Soviet Russia does not qualify for membership in the I. L. O. I am glad that important leaders of labor are in accord with this position and I am confident that we will be joined by leaders of industry.

The American labor movement has made it clear to the world that the so-called unions in Russia are nothing more than creatures of the state. The I. L. O., in cooperation with the United Nations Economic and Social Council, took the initiative in having a survey made of forced labor conditions which has exposed the extensive slave-labor system which exists in Soviet Russia.

Fight Against Communism in Labor Movement

It may very well be the effect of these revelations which now induces Soviet Russia to enter the I. L. O. and to attempt to put an end to any such future studies and revelations.

America can take added strength from the knowledge that it has in the C. I. O., now, a body of experienced fighters against communism. Many of you have fought in your own local and international unions against Communist factions intent upon capturing your organizations. You have fought them in the shops, in the union halls, and in C. I. O. conventions. You have driven them out of your movement and left them isolated and identified, so that everyone can recognize them for what they are.

The C. I. O. has also helped greatly through its international activities in the fight against communism abroad. I want to believe that it will continue to help in that fight and increase its contributions.

Here is one way you can do it. As you are aware, situated in most of the important United States Embassies abroad are a corps of men known as labor attaches. I am afraid this nation only belatedly came to realize the importance, in the world struggle for freedom, of labor organizations in other countries. When we did, we hastily established a corps of labor attaches.

Some of them have done a distinguished job for the country; most of them have at least been adequate, a few were, perhaps, improperly selected. None of them were provided with special training for this work. It is my own feeling that this whole service can be vastly improved, and in improving it I want to enlist the cooperation of your organization as well as other labor organizations in America which are devoted to the foreign policies of our country.

I should think that at the very least, the people we send abroad as labor attaches should have some roots in our own labor movement. Their understanding of how American unions work, what American unions have achieved, should not be only theoretical and academic. The French, the German, the Italian, the British trade union leader will get more meaningful and deeper insight into the American labor movement if he is dealing with a man who has, himself, had some experience in the movement he interprets.

Labor has a universal language and, although all the words can probably be learned from books, the accents of experience are needed to make that language come alive. Let us together improve this vital part of our government's work abroad.

We want from you, and from other labor organizations, your best men. Not those for whom you don't happen to have an important job for the moment, not those who for one reason or another "have to be taken care of." We want your very best. Then plan and work with us to establish a special training program which will equip these men with all the techniques and knowledge they will need to do this special job.

By a training program I do not mean a week or two of briefing in Washington. That may be part of it. But what I envision is securing the cooperation of a great university for the establishment of an intensive program of education designed specifically to turn out men with all the necessary competence for work in the international labor field. I should like also to see conducted at that university center an extensive program of research in this field so that our knowledge on some of these problems will be systematically expanded. I can pledge you that the Department of Labor will give its full support to such an undertaking.

The Taft-Hartley Act

We come now to the Taft-Hartley Act. You have heard read the communication from the President of the United States. I am in full accord with the position he has expressed.

I can tell you that no final conclusions have been reached on what the President will recommend to the Congress on this subject. There will be such recommendations. They will contemplate amendments to the statute. What will be recommended is still being discussed. There will be changes. If these are realized we will have made great strides forward.

Let's be fair. The previous Administration which was elected on the issue of Taft-Hartley failed to make significant changes even though it had great majorities in Congress which this Administration has not.

Now, the Taft-Hartley Act and the way it is administered in essence establish the policy of the government with respect to labor relations. It is important to remember that in a Democracy policy may be a compromise with perfection. It sometimes falls short of solution.

No law is perfect for any one institution. The controls regulating the Stock Exchange, the laws relating to the formation of trusts make some people pretty unhappy. The union movement itself is not united on many issues; public power, the St. Lawrence waterway, tariffs, trade agreements, and on specific amendments to the Taft-Hartley Act itself. Our views on any issue depend on how our spectacles are ground. They are ground to conform with our immediate interests and they blur our vision to what is utter clarity to others.

If we can agree to start from the point of realism — which is that the Taft-Hartley Act in many of its features is sound, fair and just—and preclude further talk of repeal of the act, we will then jointly concentrate on those features of the act which are really dangerous to labor, really loaded, really unfair.

I am for the removal of those unfair features. The President is for their removal. I think a majority of the Congress will be for their removal. What those features are in precise detail must be worked out in conference and in compromise. And in these coming legislative deliberations, you know there will be no magic in numbers —19 amendments are no more mystic than 15, 1 or 29.

Now in my dealings with you on this matter I can pledge you a sympathetic audience, and open mind, and my advice. I can also promise you honest, straight dealing. I will listen to all parties who have ideas on this issue.

To the extent that we can agree, I will be happy to work with you in achieving our common objective. To the extent that we disagree, we will try to work out a way of agreement.

Recommendations Proposed

As for myself I will tell you here and now the criteria I will use in determining my position on every recommendation proposed:

I am opposed to any proposal which would leave the government powerless to deal with national emergency strikes.

I am opposed to any proposal which would make it easier for Communists or racketeers to control labor organizations, and I am opposed to treating the Communist problem solely as a labor union problem.

I am opposed to any proposal which encourages unions or union officials to be irresponsible.

I am *also* opposed to any proposal through which employers could escape their obligation to bargain collectively.

I am opposed to any proposal which would make Federal law a device for breaking or undermining unions.

I am opposed to any proposal which will have undeserved punitive effect, whether on unions, employers, or the individual worker.

I am opposed to any measure which in essence defeats the demonstrated will and desires of the majority of the working people.

On the other hand, I am prepared to endorse and support every reasonable proposal for amending the Taft-Hartley Act which will meet these standards:

Minimize the amount of government intervention in labor disputes; maximize the incentives for parties in a dispute to settle it themselves; contribute to more peaceful and mature labor relations in America.

Now I want to talk for a moment about the function of the Secretary of Labor as I see it.

The Congress has said that the purpose of the Department of Labor shall be to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment.

That is the charter under which I work. That is my job description. I intend to follow it. In so doing I have a primary duty, as a Cabinet officer of the President, to inform the President of the wage earners' problems, attitudes and aspirations and, bearing in mind the welfare of all the people, to advise him on a course of action. To that extent I am a spokesman, but I draw careful distinction between the terms "spokesman" and "mouthpiece."

To carry out the mission of the Department of Labor I want to see the department strenghened and broadened, not because I happen to preside over its affairs, not solely because it speaks for that great group among our people who are the wage earners — although that would be cause enough for me to embrace the vision of a better department.

But beyond that, I have a deep and firm conviction that for our country to have all of its strength mobilized in these perilious times, to have a unity of purpose and of will in the face of those threats to peace which beset the world, and to share a common hope for a more secure and peaceful life and to make that hope an obtainable reality, the economic well-being of the wage earners of America must be a major concern of this Administration.

By economic well-being I mean continued employment at decent wages and under decent working conditions for all Americans. They are entitled to nothing less.

I am determined to see that they have it.

Continued from page 39

Mutual Funds

HUDSON FUND reported a 7.9% increase in net assets for the 12 months ended Sept. 30, 1953.

The increase, according to the Fund's report for the September quarter, boosted total net assets to $4,159,021, or $11.30 a share on the 367,976 shares outstanding on Sept. 30, last. This compares with $3,853,564 on Sept. 30, 1952, equal to $11.99 a share on the 323,914 equivalent shares then outstanding, and with $4,085,499 on June 30, 1953, equivalent to $11.32 a share on the 360,863 shares outstanding.

The Fund reported earnings of 33.5 cents per share from net investment income for the nine-month period ended Sept. 30, 1953. This compares with earnings of 32.4 cents per share for the corresponding period of 1952.

The report showed an investment of 77% of total net assets in common stocks. The balance included an 8.3% investment in preferreds; 5.3% in corporate bonds, and 9.4% in governments and cash.

Hudson Fund's largest single common stock holding by industry, according to the report, was in natural gas utilities and represented 11.8% of net assets. Other common stock industry groups included: 10% of net assets in electric utilities; 7.2% in chemicals and drugs; 6.6% in metals and mining; 6.4% in oils; 5.2% in banks, and 5.1% in merchandising. Hudson Fund is the only mutual fund with a specialized trust company—The Fiduciary Trust Company of New York—as its investment advisor.

ADVOCATES of single industry funds for special purposes were said to have found support in a recent comparative price analysis of mutual funds for the 12 months' period ended Sept. 30 last.

Distributors group reports its Group Securities' Tobacco Shares was the top performer among all mutual funds. In a period in which the Dow Jones Composite Average declined 3.4%, Tobacco Shares advanced 21.1%.

Distributors Group reports that some $5 million of Tobacco Shares were sold during the period of their recent emphasis. Meanwhile tobaccos comprised the largest industry representation in both the Common Stock Fund and the Fully Administered Fund, presently withstanding in record amounts.

Group Securities' Utilities Shares and its Aviation Shares also registered advances. Distributors Group emphasized that the past performance of any fund offers no assurance for the future, but the record was said to have strengthened its conviction that Group's make-up of 17 single industry funds as accessories to its five general funds provides a useful and flexible investment instrument.

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Securities Now in Registration

★ **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**
● **ITEMS REVISED**

★ **Allen Electric & Equipment Co., Kalamazoo, Mich.**
Nov. 13 (letter of notification) 75,000 shares of common stock (par $1). **Price** — $4 per share. **Proceeds** — For working capital. **Office** — 2101 North Pitcher Street, Kalamazoo, Mich. **Underwriter** — S. R. Livingstone, Crouse & Co., Detroit, Mich., and Olmsted & Mulhall, Inc., Kalamazoo, Mich.

Amalgamated Growth Industries, Inc.
Sept. 28 (letter of notification) 149,999 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For acquisition of patents, etc., and for new equipment and working capital. **Office**—11 West 42nd St., New York City. **Underwriter**—R. A. Keppler & Co., Inc., New York, N. Y.

American Development Corp. (Del.)
Nov. 16 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—$14,500 to be paid to Commonwealth Research Corp. in accordance with agreement; $20,000 for drilling and testing one well on the North Carolina acreage; $50,000 reserve for drilling three additional wells; and the remainder for working capital, etc. **Office**—317-325 South State St., Dover, Del. **Underwriter**—Walter Aronheim, New York City.

American Diamond Mining Corp.
Nov. 6 (letter of notification) 260,000 shares of common stock (par $1). **Price**—$1.15 per share. **Proceeds**—To explore and develop the Murfreesboro, Pike County, Ark., property and for general corporate purposes. **Office**—99 Wall St., New York 5, N. Y. **Underwriter**—Samuel W. Gordon & Co., Inc., New York, N. Y.

● **American Fidelity & Casualty Co., Inc.**
Nov. 3 filed 150,000 shares of convertible preferred stock (par $5) being offered for subscription by common stockholders of record Nov. 20 on a share-for-share basis; with rights to expire on Dec. 9. Certain stockholders have waived their rights to purchase 30,000 of new shares. **Price**—$22.25 per share. **Proceeds**—For working capital. **Underwriter**—Geyer & Co., New York.

American-Israeli Cattle Corp., Beverly Hills, Cal.
Aug. 24 filed 100,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—To establish and develop a cattle industry in Israel. **Underwriter**—None.

American Telephone & Telegraph Co.
Oct. 14 filed $602,543,700 of 12-year 3¾% convertible debentures, due Dec. 10, 1965. being offered for subscription by stockholders of record Oct. 30 in the ratio of $100 of debentures for each seven shares of stock held; rights to expire on Dec. 10. Rights will be mailed on Nov. 5. Conversion price beginning Feb. 9, 1954 is $136 per share of capital stock. **Price**—At par (flat), $100 for each $100 principal amount. **Proceeds**—For advances to subsidiary and associated companies, etc. **Underwriter**—None.

Anacon Lead Mines, Ltd., Toronto, Canada
Sept. 28 filed 700,000 shares of common stock (par 20 cents—Canadian funds) to be offered for subscription by common stockholders at the rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—To develop mining properties. **Underwriter**—None. Financing proposal has not been dropped.

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**—Postponed.

Atomic Development Mutual Fund, Inc. (12/8)
Nov. 18 filed 90,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter** — Atomic Development Securities Co., Washington, D. C.

Bassons Industries Corp., N. Y.
Nov. 6 (letter of notification) 60,000 shares of Class A participating preferred stock (par $5) and 60,000 shares of Class B common stock (par $1) in units of one share of each class of stock. **Price**—$5 per unit. **Proceeds**—For working capital. **Business** — Plastic molders and fabricators. **Office** — 1432 West Farms Road, Bronx, N. Y. **Underwriter**—Carter Manning, 51 East 42nd St., New York 17, N. Y.

★ **Beverage Franchises Inc., New York**
Nov. 16 (letter of notification) 198,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To repay loans, to establish bottling plants and for working capital. **Underwriter**—Richard & Co., Newark, N. J.

Bridgeport Brass Co.
Oct. 28 filed 240,672 shares of common stock (par $5) being offered for subscription by common stockholders of record on Nov. 17 on the basis of one new share for each four shares held; rights to expire on Dec. 2. **Price**—$21.50 per share. **Proceeds**—For expansion program. **Underwriters**—Hornblower & Weeks and Stone & Webster Securities Corp., both of New York.

● **Bridgeport Gas Light Co. (11/27)**
Nov. 12 filed 60,500 shares of cumulative convertible preferred stock, to be offered for subscription by common stockholders at rate of one preferred share for each three common shares held as of Nov. 27; rights to expire on Dec. 22. **Price** — At par ($25 per share). **Proceeds** — For construction program. **Underwriters**—Smith, Ramsey & Co., Inc., Bridgeport, Conn., and Chas. W. Scranton & Co., New Haven, Conn.

● **Burton Picture Productions, Inc. (12/1)**
Sept. 24 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For production of movies and TV stories. **Office**—246 Fifth Avenue, New York. **Underwriter** — Alexander Reid & Co., Newark, N. J.

● **Butler Engineering Co., Inc. (12/3)**
Nov. 12 (letter of notification) 215,000 shares of common stock (par 10 cents), of which 16,070 are to be offered to certain nonaffiliated persons in discharge of claims aggregating $16,070 against the company. **Price**—$1 per share. **Proceeds**—For advertising and research. **Office**—30 Church Street, New York, N. Y. **Underwriter** — Miller Securities Co., New York.

California Central Airlines, Inc.
Nov. 5 filed $600,000 of 7% convertible equipment trust certificates, series A, and 890,000 shares of common stock (par 50 cents), of which the certificates and 400,000 shares of the stock are to be offered publicly; 300,000 shares are to be sold to the underwriter (including 50,000 shares to one James Wooten), 70,000 shares to Sig Shore, 70,000 shares to Fred Miller and 50,000 shares to James Wooten. **Price**—To public—100% for certificates and 75 cents per share for the stock. **Proceeds**—To finance the acquisition of four Martinliners and one Douglas DC-3 aircraft from Airline Transport Carriers, Inc. **Underwriter**—Gearhart & Otis, Inc., New York.

Capital Uranium Co., Farmington, N. M.
Oct. 28 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 10 cents per share. **Proceeds**—For exploration, drilling and development of mining claims. **Underwriter** — Forbes & Co., Denver, Colo.

Carolina Telephone & Telegraph Co.
Aug. 17 filed 33,320 shares of capital stock to be offered for subscription by stockholders in the ratio of one new share for each five shares held. **Price**—At par ($100 per share). **Proceeds**—To reduce short-term notes. **Underwriter**—None. **Offering**—Temporarily postponed.

● **Central Illinois Electric & Gas Co.**
Oct. 30 filed 70,400 shares of common stock (par $15) being offered for subscription by common stockholders at rate of one new share for each 10 shares held on Nov. 19; rights to expire Dec. 8. **Price** — $24.50 per share. **Proceeds**—From sale of common stock and from proposed sale later in year of 15,000 shares of $100 par cumulative preferred stock to be used to repay bank loans and to pay for new construction. **Dealer-Managers**—Stone & Webster Securities Corp., and Allen & Co., both of New York.

Century Acceptance Corp.
Oct. 16 (letter of notification) 10,000 shares of class A common stock (par $1) and 5,000 shares of class B stock (par $1). **Price**—Of class A, $2.50 per share; of class B, $1.90 per share. **Proceeds**—To Robert F. Brozman, the selling stockholder. **Office**—1334 Oak St., Kansas City, Mo. **Underwriter**—Wahler, White & Co., Kansas City, Mo.

Cincinnati & Suburban Bell Telephone Co. (11/27)
Nov. 6 filed 312,812 shares of common stock to be offered for subscription by common stockholders of record Nov. 27 on a 1-for-3 basis. **Price**—At par ($50 per share). **Proceeds**—To reimburse treasury for expenditures made for extensions, additions and improvements to plant. **Underwriter**—None.

Columbia Pictures Corp.
Nov. 23 (letter of notification) 891 shares of common stock (no par). **Price** — At market (estimated at about $16.25 per share). **Proceeds**—To stockholders entitled to receive fractional shares in connection with 2½% stock

NEW ISSUE CALENDAR

November 27 (Friday)
Cincinnati & Suburban Bell Telephone Co.____**Com.**
(Offering to stockholders—no underwriting) $15,640,600
Newport Electric Corp.____**Common**
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) $205,448
Uranium, Inc. ____**Common**
(Cayias Brokerage Co.) $26,000

November 30 (Monday)
Florida Power Corp.____**Bonds**
(Bids 11:30 a.m. EST) $10,000,000
Louisville & Nashville RR.____**Equip. Trust Ctfs.**
(Bids noon EST) $6,765,000
Matheson Co., Inc.____**Debentures**
(Mohawk Valley Investing Co., Inc. and Security and Bond Co.) $200,000

December 1 (Tuesday)
Burton Picture Productions, Inc.____**Common**
(Alexander Reid & Co.) $300,000
Columbus & Southern Ohio Electric Co.____**Bonds**
(Bids 11:30 a.m. EST) $10,000,000
Indusco, Inc. ____**Preferred and Common**
(Prudential Securities Corp.) $280,500
Monongahela Power Co.____**Bonds**
(Bids noon EST) $10,000,000
Virginia Electric & Power Co.____**Common**
(Bids 11 a.m. EST) 558,946 shares

December 2 (Wednesday)
Iowa Power & Light Co.____**Bonds**
(Bids 10 a.m. CST) $8,500,000
Quebec Hydro-Electric Commission____**Debentures**
(The First Boston Corp., A. E. Ames & Co., Inc., etal) $50,000,000
Tennessee Gas Transmission Co.____**Bonds**
(Bids 11 a.m. EST) $25,000,000

December 3 (Thursday)
Butler Engineering Co., Inc.____**Common**
(Miller Securities Co.) $215,000
Southern Pacific Co.____**Equip. Trust Ctfs.**
(Bids noon EST) $5,925,000
United Rayon Manufacturing Corp. **American Depositary Receipts**
(Lazard Freres & Co.) 180,000 American shares

December 7 (Monday)
Bridgeport Gas Light Co.____**Preferred**
(Offering to stockholders—underwritten by Smith, Ramsey & Co. and Chas. W. Scranton & Co.) $1,512,500
Duquesne Light Co.____**Preferred**
(Bids 11 a.m. EST) $5,000,000
Firth Sterling, Inc.____**Debentures**
(McCormick & Co.) $1,600,000

December 8 (Tuesday)
Atomic Development Mutual Fund, Inc.____**Common**
(Atomic Development Securities Co.) 90,000 shares
Ludman Corp.____**Debentures**
(Courts & Co.) $750,000
St. Louis-San Francisco Ry.____**Equip. Trust Ctfs.**
(Bids to be invited) $7,500,000

December 9 (Wednesday)
General Motors Corp.____**Debentures**
(Morgan Stanley & Co.) $300,000,000
New York, New Haven & Hartford RR. **Equip. Trust Ctfs.**
(Bids noon EST) $6,600,000

December 10 (Thursday)
Erie RR.____**Equip. Trust Ctfs.**
(Bids noon EST) $5,400,000
Philadelphia Electric Co.____**Bonds**
(Bids 11 a.m. EST) $20,000,000

December 15 (Tuesday)
Fruehauf Trailer Co.____**Debentures**
(Lehman Brothers and Watling, Lerchen & Co.) $10,000,000
Texas Natural Gasoline Co.____**Common**
(Carl M. Loeb, Rhoades & Co. and Dallas Rupe & Son) 209,000 shares

December 16 (Wednesday)
Lewiston, Greene & Monmouth Telephone Co. ____**Common**
(F. S. Moseley & Co.) $121,360
Narragansett Electric Co.____**Preferred**
(Bids noon EST) $7,500,000

January 6 (Wednesday)
Consumers Power Co.____**Common**
(Offering to stockholders—bids to be invited) 679,436 shares

January 11 (Monday)
Appalachian Electric Power Co.____**Bonds**
(Bids 11 a.m. EST) $20,000,000

January 12 (Tuesday)
Consolidated Edison Co. of New York, Inc.____**Bonds**
(Bids to be invited) $35,000,000
Public Service Co. of Indiana, Inc.____**Bonds**
(Bids to be invited) $25,000,000

January 13 (Wednesday)
Ohio Edison Co.____**Common**
(Offering to stockholders—bids to be invited) 527,830 shs.

January 18 (Monday)
Fire Association of Philadelphia____**Common**
(Offering to stockholders—The First Boston Corp. will act as advisors) $7,650,000

January 19 (Tuesday)
Ohio Edison Co.____**Bonds**
(Bids to be invited) $30,000,000

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dividend payable Dec. 7, 1953. Office—729 7th Avenue, New York 19, N. Y. Underwriter—Hallgarten & Co., New York.

Columbus & Southern Ohio Electric Co. (12/1)
Oct. 27 filed $10,000,000 of first mortgage bonds due 1983. Proceeds—To repay bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Salomon Bros. & Hutzler; Dillon, Read & Co.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Lehman Brothers; Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). Bids—To be received up to 11:30 a.m. (EST) on Dec. 1 at City Bank Farmers Trust Co., 22 William St., New York, N. Y.

★ Combustion Engineering, Inc., New York
Nov. 20 filed 50,000 shares of capital stock (no par) to be offered to officers and key personnel of company under restricted stock option plan. Underwriter—None.

★ Consumers' & Merchants' Import Representatives, Inc.
Nov. 16 (letter of notification) 3,360 shares of 5½% cumulative preferred stock (par $50) and 3,482 shares of common stock (par $4). Price—At par. Proceeds—For expansion of operations abroad. Address—P. O. Box 4114, Tucson, Ariz. Underwriter—None.

Cosmo Oil Co., Denver, Colo.
Oct. 7 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds—For drilling expenses and working capital. Office — 922 Equitable Bldg., Denver, Colo. Underwriter—E. I. Shelley Co., Denver, Colo.

Cuban American Minerals Corp., Washington, D.C.
Oct. 6 (letter of notification) 6,000 certificates of participation. Price—At par (in units of $50 each). Proceeds — For general corporate purposes. Office — 439 Wyatt Bldg., Washington, D. C. Underwriter—James T. De Witt & Co., Inc., Washington, D. C.

★ Cuyama Hills Oil Corp., Bakersfield, Calif.
Nov. 13 (letter of notification) 50,000 shares of capital stock. Price—At par ($1 per share). Proceeds—To drill well. Office—315 Brower Bldg., Bakersfield, Calif. Underwriter—Herbie Dell.

Delaware Power & Light Co.
Oct. 28 filed 232,520 shares of common stock (par $13.50) being offered for subscription by common stockholders of record Nov. 25 on the basis of one new share for each seven shares held; rights to expire on Dec. 15. Employees will receive rights to subscribe for up to 150 shares each. Price—$24 per share. Proceeds—For construction program. Underwriters—W. C. Langley & Co. and Union Securities Corp. (jointly).

● Dixie Cup Co., Easton, Pa.
Oct. 23 filed 152,465 shares of 5% cumulative convertible preferred stock, series A (par $50) being offered for subscription by common stockholders at rate of one preferred share for each five common shares held on Nov. 13; rights to expire on Nov. 30. Price—$50 per share. Proceeds—For expansion program. Underwriters—Glore, Forgan & Co. and Hornblower & Weeks, both of New York.

● Duquesne Light Co. (12/7)
Aug. 19 filed 100,000 shares of preferred stock (par $50). Proceeds—To reduce bank loans and for new construction. Underwriters — To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Lehman Brothers. Bids—To be received up to 11 a.m. (EST) on Dec. 7 at the office of Standard Gas & Electric Co., 15 Broad St., New York 5, N. Y.

● Farm & Home Loan & Discount Co., Phoenix, Ariz.
Nov. 9 filed 863,230 shares of class A common stock, 858,186 shares of class B common stock and 1,000,000 shares of class C common stock. Price—25 cents, 35 cents and 50 cents, respectively. Proceeds—For working capital. Underwriter—None.

★ Federal Pipe & Foundry Co. (N. J.)
Nov. 16 (letter of notification) 39,000 shares of common stock (par 25 cents). Price—$1 per share. Proceeds—For purchase of land and machinery, to erect buildings and for working capital. Underwriter—A. Kalb & Co., Trenton, N. J.

● Firth Sterling, Inc., Pittsburgh, Pa. (12/7)
Nov. 12 filed $1,600,000 of 6% convertible sinking fund subordinated debentures due Dec. 1, 1968. Price—To be supplied by amendment. Proceeds—To retire present indebtedness. Underwriter — McCormick & Co., Chicago, Ill.

Fisher & Porter Co., Hatboro, Pa.
Oct. 26 (letter of notification) 17,920 participating preference shares and common shares (par $1). Price—$12.48 per share (plus in case of preference shares, accrued dividends at rate of 50 cents per share per year). Proceeds—For additions to plant and equipment and for working capital. Underwriter—None.

● Florida Power Corp. (11/30)
Nov. 5 filed $10,000,000 of first mortgage bonds due 1983. Price—To be supplied by amendment. Proceeds—To repay bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); The First Boston Corp. Bids—Tentatively expected to be received up to 11:30 a.m. (EST) on Nov. 30.

Florida Western Oil Co.
Nov. 6 (letter of notification) 250,000 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—For drilling test well. Office—803 N. Calhoun St., Tallahassee, Fla. Underwriter — Floyd D. Cerf, Jr., Co., Inc., Miami, Fla.

★ Forest Lawn Co., Glendale, Calif.
Nov. 13 (letter of notification) $300,000 of 3% debentures. Price—At par. Proceeds—For improvements, etc. Office — 1712 South Glendale Ave., Glendale 5, Calif. Underwriter—None.

★ Fruehauf Trailer Co. (12/15)
Nov. 23 filed $10,000,000 of convertible subordinated debentures due Dec. 1, 1973. Price—To be supplied by amendment. Proceeds—To retire short-term indebtedness and to increase working capital. Underwriters—Lehman Brothers, New York; and Watling, Lerchen & Co., Detroit, Mich.

General Acceptance Corp.
Nov. 10 (letter of notification) 12,000 shares of $1.50 series preferred stock (no par) to be offered in exchange for 30,000 shares of $10 par 6% cumulative sinking fund preferred stock of Universal Finance Corp., Omaha, Neb., on the basis of one General Acceptance share for each 2½ Universal shares. This offer will expire on Dec. 21. Office—949 Hamilton St., Allentown, Pa. Underwriter—None.

General Hydrocarbons Corp.
Aug. 12 filed $1,010,800 of 20-year debentures and 66,424 shares of common stock (par $1) to be offered in units of $350 principal amount of debentures and 23 shares of stock. Price—$359 per unit ($336 for the debentures and $1 per share for the stock). Proceeds—For general corporate purposes. Business — Oil and gas development. Underwriter—None. Office—Oklahoma City, Okla.

General Motors Corp. (12/9)
Nov. 17 filed $300,000,000 of 25-year debentures due 1979. Price—To be supplied by amendment. Proceeds—To finance capital expenditures and for working capital. Underwriter—Morgan Stanley & Co., New York.

General Shoe Corp., Nashville, Tenn.
Oct. 2 filed 19,465 shares of $5 cumulative preference stock, series B (stated value $100 per share) and 139,742 shares of common stock (par $1) being offered in exchange for shares of stock of Berland Shoe Stores, Inc. on the following basis: For each Berland common share 0.54253 shares of General Shoe common; and for each 4 6/11th shares of Berland preferred stock one share of series B preferred of General Shoe or for each 2.0227 shares of Berland prefered one share of General Shoe common stock. Offer, which will terminate on Dec. 7, is subject to acceptance of 80% of each class of stock.

Giffen Industries, Inc.
Nov. 4 (letter of notification) 62,500 shares of common stock (par $2.50), of which 2,000 shares are to be offered to employees at $3.40 per share. Price—To public $4 per share. Proceeds—For general corporate purposes. Office—4112 Aurora St., Coral Gables, Fla. Underwriter—Atwill & Co., Miami Beach, Fla.

★ Gold Crown Mining Corp., Allegheny, Calif.
Nov. 12 (letter of notification) 25,000 shares of common stock (par $1). Price—$3 per share. Proceeds—To install mill. Underwriter—Frederick H. Giles.

● Government Employees Corp.
Oct. 23 filed $500,000 10-year 4½% convertible junior subordinated debentures due Dec. 1, 1963 (convertible into common stock at the rate of $20 per share), being offered for subscription by common stockholders of record Nov. 17 at the rate of $100 of debentures for each 15 shares held; rights to expire on Dec. 9. Price—At par. Proceeds—For working capital and to prepay $100,000 of junior subordinated notes. Office—Government Employees Insurance Bldg., Washington 5, D. C. Underwriters—Johnston, Lemon & Co., Washington, D. C.; and E. R. Jones & Co., Baltimore, Md.

Greenwich Gas Co., Greenwich, Conn.
Nov. 12 filed 75,468 shares of common stock (no par) to be first offered for subscription by the holders of the 89,333 shares presently outstanding; then to public. Price—To be supplied by amendment. Proceeds—From sale of stock, together with proceeds from private sale of $200,000 of series A bonds, to be used to repay bank loans and for construction program. Underwriter—F. L. Putnam & Co., Inc., Hartford, Conn.

Greyhound Parks of Alabama, Inc., Phoenix, Ariz.
Oct. 21 filed $400,500 of 6% 10-year cumulative income debentures, due Oct. 1, 1962, and 40,050 shares of common stock (no par) to be offered in units of four debentures of $250 principal amount each and 100 shares of stock. Price—$1,100 per unit. Proceeds—To rehabilitate and construct racing plant in Tucson, Ariz. Business—Dog racing with pari-mutuel betting privileges. Underwriter—None.

Gulf Sulphur Corp., North Kansas City, Mo.
Oct. 27 filed 700,000 shares of convertible preferred and participating stock (par 10 cents). Price—$10 per share. Proceeds—To develop company concessions. Underwriter—Peter Morgan & Co., New York.

Hydrocap Eastern, Inc., Philadelphia, Pa.
Oct. 30 (letter of notification) 100,000 shares of common stock. Price—At par ($1 per share). Proceeds—To pay debt and for working capital, etc. Underwriter—Barham & Co., Coral Gables, Fla.

● Indusco, Inc. (Del.) (12/1)
Nov. 5 (letter of notification) 550,000 shares of 5% cumulative preferred stock (par 50 cents) and 550,000 shares of common stock (par one cent) to be issued in units of one share of each class of stock. Price—51 cents per unit. Proceeds — For development and promotion, acquisition of raw materials and working capital, etc. Office — 82 Beaver St., New York, N. Y. Underwriter — Prudential Securities Corp., New York.

★ International Paper Co., New York
Nov. 24 filed 101,365 shares of common stock (par $7.50) to be offered under company's incentive stock option plan for key employees by 60 officers or employees of the company and an officer of one of its subsidiaries who holds options to purchase such shares. Underwriter—None.

★ International Telephoto Finish Corp.
Nov. 23 (letter of notification) 24,167 shares of class A common stock (par 10 cents). Price—$12 per share. Proceeds—For general corporate purposes. Office—95 Madison Avenue, Hempstead, N. Y. Underwriter—None.

Ionics, Inc., Cambridge, Mass.
June 30 filed 131,784 shares of common stock (par $1). Price—To be supplied by amendment (between $8 and $9 per share). 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.). Offering—Date indefinite.

● Iowa Power & Light Co. (12/2)
Nov. 3 filed $8,500,000 of first mortgage bonds due Dec. 1, 1983. Proceeds—To repay bank loans and for construction program. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; W. C. Langley & Co., Union Securities Corp. and Glore, Forgan & Co. (jointly); Equitable Securities Corp.; Kuhn, Loeb & Co., Wood Struthers & Co. and American Securities Corp. (jointly); The First Boston Corp; Blyth & Co., Inc.; Harriman Ripley & Co. Inc.; White, Weld & Co. Bids—To be received up to 10 a.m. (CST) on Dec. 2, at 111 West Monroe St., Chicago, Ill.

Israel Enterprises, Inc., New York
Oct. 1 filed 18,800 shares of common stock. Price—At par ($100 per share). Proceeds—For investment in existing industrial enterprises in Israel. Underwriter—None.

★ Jamaica Water Supply Co.
Nov. 18 (letter of notification) approximately $200,000 aggregate market value of common stock (no par). Price—At market. Proceeds—Together, with other funds, to repay bank loans totaling $2,000,000. Underwriter—Blyth & Co., Inc., New York.

Jasper Oil Corp., Montreal, Quebec, Canada
Oct. 28 filed 550,000 shares of common stock (par $1—Canadian). Price—$3 per share. Proceeds—For expansion and exploration and development expenses. Underwriter—Globe Securities Corp., Ltd., Montreal, Canada.

Kay Jewelry Stores, Inc., Washington, D. C.
Sept. 28 filed 672,746 shares of capital stock (par $1) to be offered in exchange for preferred and common stocks of 71 store corporations which operate 83 retail credit jewelry stores. Underwriter—None.

Keene & Co., Inc. (N. Y.)
Nov. 10 (letter of notification) 10,000 shares of 6% cumulative preferred stock (par $10) and 5,000 shares of common stock (par 10 cents) to be offered in units of two shares of preferred and one share of common stock. Price—$21 per share. Proceeds—For working capital. Business—To deal in listed and over-the-counter securities. Office—80 Wall St., New York, N. Y. Underwriter—None.

★ Kopp Scientific, Inc.
Nov. 16 (letter of notification) 125,000 shares of common stock (par 10 cents). Price—$1 per share. Proceeds—To repay bank loans and other debt and for working capital, etc. Underwriters—Gearhart & Otis, Inc., New York; and McCoy & Willard, Boston, Mass.

● Lewiston, Greene & Monmouth Telephone Co., Winthrop, Me. (12/16)
Nov. 6 (letter of notification) 12,136 shares of common stock. Price—At par ($10 per share). Proceeds—To pay indebtedness. Underwriter—F. S. Moseley & Co., Boston, Mass.

★ Life Insurance Co. of South Carolina
Nov. 13 (letter of notification) 100,000 shares of non-voting class B common stock. Price—$2 per share. Proceeds—For working capital. Office — 1309 Sumter St., Columbia, S. C. Underwriter—None.

● Ludman Corp., North Miami, Fla. (12/8)
Oct. 26 filed $750,000 of 6% sinking fund convertible debentures due Nov. 1, 1968. Price—At par (in units of $100 each) and accrued interest. Proceeds — to repay bank loans, and for new equipment and general corporate purposes. Underwriter—Courts & Co., Atlanta, Ga.

● Maine Public Service Co.
Nov. 2 filed 35,000 shares of common stock (par $10) being offered for subscription by common stockholders of record Nov. 24 at rate of one new share for each six shares held (with oversubscription privilege). Rights will expire on Dec. 8. Price—$20.25 per share. Proceeds — To repay bank loans. Underwriters — Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

Manheim (Pa.) Water Co.
Oct. 28 (letter of notification) $125,000 of 4¾% first mortgage bonds, series A, dated Oct. 31, 1953, and due Oct. 31, 1978, to be offered to residents of Pennsylvania. Price—100% and accrued interest. Proceeds—For part payment of installation of a new water filtration plant. Underwriter—None.

Matheson Co., Inc. (N. J.) (11/30)
Nov. 13 (letter of notification) $200,000 of 15-year 6% convertible debentures due Jan. 1, 1969. Price—100% and accrued interest. Proceeds—To construct plant in

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Norwood, Ohio, and for working capital. **Business**—Sale of compressed chemical gases. **Office**—932 Paterson Plank Road. East Rutherford, N. J. **Underwriters**—Mohawk Valley Investing Co., Inc., Utica, N. Y., and Security and Bond Co., Lexington, Ky.

★ Midvale Co.
Nov. 16 (letter of notification) up to but not exceeding 3,600 shares of capital stock (no par). **Price**—At market (about $15.50 per share). **Proceeds**—To Baldwin Securities Corp. **Underwriter**—Drexel & Co., Philadelphia, Pa.

★ Model Aviators' Gazette, Inc. (R. I.)
Nov. 13 (letter of notification) 490 shares of common stock (no par). **Price** — $10 per share. **Proceeds**—For printing and distribution of trade paper on aircraft. **Underwriter**—None.

★ Mohawk Business Machines Corp. (Md.)
Nov. 20 (letter of notification) approximately 160,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy machinery and inventory and for working capital. **Underwriter**—Bache & Co., New York.

★ Monarch Fertilizer Co., Muskogee, Okla.
Nov. 16 (letter of notification) 770 shares of common stock. **Price**—At par ($100 per share in units of 10 shares or multiples thereof). **Proceeds** — To increase facilities and inventories. **Office**—412 Court St., Muskogee, Okla. **Underwriter**—None.

Monongahela Power Co. (12/1)
Oct. 30 filed $10,000,000 first mortgage bonds due 1983. **Proceeds**—For construction program. **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. **Bids**—To be received up to noon (EST) on Dec. 1 at office of West Penn Electric Co., 50 Broad St., New York 4, N. Y.

★ Montreal (City of)
Nov. 19 filed $14,854,000 of series 1953 debentures for local improvements and $8,000,000 of series 1953 debentures for public works. **Price**—To be supplied by amendment. **Proceeds**—For improvements, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Smith, Barney & Co.; The First Boston Corp. **Bids**—Not expected until after Jan. 1, 1954.

Narragansett Electric Co. (12/16)
Nov. 12 filed 150,000 shares of cumulative preferred stock (par $50). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Harriman Ripley & Co. Inc. (jointly); White, Weld & Co.; Lehman Brothers and Goldman, Sachs & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly). **Bids**—Tentatively expected to be received at noon (EST) on Dec. 16.

★ National Publications, Inc. (Del.)
Nov. 20 (letter of notification) 333,330 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—To publish new magazines. **Office**—373 West 52nd Street, New York, N. Y. **Underwriter**—None.

Nevada Tungsten Corp., Mina, Nev.
Oct. 22 (letter of notification) 1,000,000 shares of common stock to be offered to stockholders. **Price**—Five cents per share. **Proceeds**—For working capital. **Underwriter**—None.

● Newport Electric Corp., Newport, R. I. (11/27)
Nov. 6 (letter of notification) 5,955 shares of common stock (par $20) to be offered to common stockholders on basis of one new share for each ten shares held on Nov. 27; rights to expire on Dec. 11. **Price**—At market (about $34.50 per share). **Proceeds**—To finance construction. **Office**—159 Thames St., Newport, R. I. **Underwriter**—Stone & Webster Securities Corp., Providence, R. I.

★ North American Acceptance Corp.
Nov. 20 (letter of notification) 50,000 shares of 35-cent cumulative convertible preferred stock (par $5). **Price**—$5.75 per share. **Proceeds**—To increase receivables and to reduce bank loans. **Office**—765 West Lancaster Ave., Bryn Mawr, Pa. **Underwriter**—J. G. White & Co., Inc., New York.

Nylok Corp., New York
Oct. 30 (letter of notification) $125,000 of 6% convertible serial notes due Jan. 1, 1964, being offered for subscription by common stockholders at rate of $125 of notes for each four shares of stock held as of Nov. 16; rights to expire on Dec. 16. **Price**—100% and accrued interest from Jan. 1, 1954. **Proceeds**—To reduce bank loans, purchase equipment, to explore foreign patents and for working capital. **Business**—Manufactures and sells fastening devices. **Office**—475 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

Orange Community Hotel Co., Orange, Texas
Sept. 14 filed 8,333 shares of capital stock (par $20) and 8,333 registered 4% debentures due Jan. 1, 1984 of $100 each to be offered in units of one share of stock and one $100 debenture. **Price**—$120 per unit. **Proceeds**—To construct and equip hotel building. **Underwriter** — None. (Subscriptions to 4,949 shares of stock and 4,949 debentures are held by a group of citizens of Orange formed under the auspices of the Orange Chamber of Commerce.)

★ Peacock Consolidated Mining Co., Kingman, Ariz.
Nov. 16 (letter of notification) 450,000 shares of common stock (par 10 cents), of which 375 shares are being offered by the company and 75,000 shares by Louis F. Walter. **Price**—8 cents per share. **Proceeds**—To company to be used to repair and equip shaft on Rosebud Mine. **Underwriter**—None.

Petroleum Service, Inc., Dallas, Tex.
Oct. 30 (letter of notification) $300,000 of 6% convertible debentures due 1963. **Price** — At par. **Proceeds** — For working capital. **Underwriter**—Garrett & Co., Dallas, Tex.

● Philadelphia Electric Co. (12/10)
Nov. 13 filed $20,000,000 of first and refunding mortgage bonds due 1983. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co.; White, Weld & Co. **Bids**—To be received by company up to 11 a.m. (EST) on Dec. 10.

Porter-Cable Machine Co., Syracuse, N. Y.
Nov. 9 (letter of notification) 4,600 shares of common stock (no par). **Price**—$21.50 per share. **Proceeds**—To Geraldine R. Denison, the selling stockholder. **Underwriter**—William N. Pope, Inc., Syracuse, N. Y.

★ Quebec Hydro-Electric Commission (12/2)
Nov. 13 filed $50,000,000 of debentures, series K, dated Dec. 1, 1953 and due to mature Dec. 1, 1978 (to be unconditionally guaranteed as to principal and interest by the Province of Quebec). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp.; A. E. Ames & Co., Inc.; Harriman Ripley & Co., Inc.; Smith, Barney & Co.; Wood, Gundy & Co.; Inc.; The Dominion Securities Corp.; and McLeod, Young, Weir, Inc.; all of New York.

★ Reporter Printing & Supply Co., Billings, Mont.
Nov. 12 (letter of notification) 1,000 shares of 6½% cumulative preferred stock. **Price** — At par ($100 per share). **Proceeds**—For working capital, etc. **Office**—1402 First Ave. North, Billings, Mont. **Underwriter**—None.

● Rochester Telephone Corp.
Oct. 30 filed 156,250 shares of common stock (par $10) being offered for subscription by common stockholders of record Nov. 19 at the rate of one new share for each four shares held; rights to expire on Dec. 7. **Price**—$12.50 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — The First Boston Corp., New York.

Saint Anne's Oil Production Co.
April 23 filed 165,000 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 of Chicago, Ill. Registration statement may be revised.

★ Sams (Howard E.) & Co., Inc., Indianapolis, Ind.
Nov. 12 (letter of notification) 1,000 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—2201 East 46th St., Indianapolis, Ind. **Underwriter**—None.

★ Shawano Development Corp., Shawano, Fla.
Nov. 19 (letter of notification) 40,000 shares of capital stock (par $1). **Price**—$1.25 per share. **Proceeds** — For working capital. **Underwriter**—None.

Silver Dollar Exploration & Development Co.
Aug. 20 (letter of notification) 1,000,000 shares of common stock. **Price** — 30 cents per share. **Proceeds**—For exploration. **Office**—West 909 Sprague Ave., Spokane, Wash. **Underwriter** — Mines Financing, Inc., Spokane, Wash.

Skyway Broadcasting Co.
Nov. 6 (letter of notification) subscription agreements for 2,000 shares of common stock. **Price**—At par ($50 per share). **Proceeds**—For studio remodeling. **Address**—Radio Station WLOS, Battery Park Hotel, Ashville, N. C. **Underwriter**—McCarley & Co., Inc., Ashville, N. C.

Snoose Mining Co., Hailey, Idaho
Oct. 30 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For machinery and equipment. **Underwriter**—E. W. McRoberts & Co., Twin Falls, Idaho.

Southwestern Investment Co.
Nov. 4 filed $700,000 of 5½% capital debentures, series B, due Dec. 1, 1963. **Price**—92½% and accrued interest. **Proceeds**—For working capital. **Office**—Amarillo, Tex. **Underwriter**—The First Trust Co. of Lincoln, Neb.

Southwestern Investment Co., Amarillo, Tex.
Nov. 4 filed 10,000 shares of common stock (par $5), to be offered for subscription by employees of the company and its subsidiaries under the company's Employee Purchase Plan. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—None.

Sta-Tex Oil Co.
Oct. 2 (letter of notification) 300,000 shares of common stock (par five cents). **Price**—$1 per share. **Proceeds**—For drilling costs. **Underwriter**—Arthur R. Gilman, 20 Broad Street, New York City.

★ Statewide Benefit Insurance Corp., San Francisco, Calif.
Nov. 12 (letter of notification) trust fund certificates under dividend trust and stock procurement agreement to policyholders of company whereby dividend rights are assigned to the trust. **Price**—Each $1 par unit trust certificate to be assigned to the trust at $1.50. **Proceeds**—All trust funds to be invested in the stock of Legal Reserve Stock Insurance Co. to be known as the Statewide Insurance Co. **Underwriter**—None.

● Strategic Materials Corp., Buffalo, N. Y.
Aug. 31 filed 198,500 shares of common stock (par $1) being offered for subscription by common stockholders at rate of one new share for each share held on Nov. 9; rights to expire on Dec. 7. **Price**—$5.25 per share. **Proceeds**—To repay bank loans and other indebtedness, for further exploration of properties and for additional working capital. **Underwriters**—Hamlin & Lunt, Buffalo, N. Y., and Allen & Co., New York, W. C. Pitfield & Co., Ltd., of Montreal, Canada, has agreed to purchase 50,000 shares from the underwriters for distribution in Canada.

● Tennessee Gas Transmission Co. (12/2)
Oct. 30 filed $25,000,000 of first mortgage pipe line bonds due Nov. 1, 1973. **Purpose**—To repay bank loans and for expansion program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly). **Bids** — To be received up to 11 a.m. (EST) on Dec. 2 at office of Messrs. Cahill, Gordon, Zachry & Reindel, 63 Wall St., New York 5, N. Y.

★ Texas Natural Gasoline Corp., Tulsa, Okla. (12/15)
Nov. 24 filed 209,000 shares of common stock (par $1), of which 134,000 shares are for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—From sale of 75,000 shares, for new construction and general corporate purposes. **Underwriters**—Carl M. Loeb, Rhoades & Co., New York, and Dallas Rupe & Son, Dallas, Tex.

★ Three States Uranium Corp.
Nov. 13 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds** — For drilling, surveys and working capital. **Office**—354 Main St., Grand Junction, Colo. **Underwriter** Tellier & Co., Jersey City, N. J. **Offering**—Not expected until after Jan. 1, 1954.

Tri Dent Corp. (N. J.)
Nov. 6 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and for general corporate purposes. **Office**—128 Linden Ave., Jersey City, N. J. **Business**—To manufacture a new toothbrush. **Underwriter**—Charles J. Maggio, Inc., New York.

★ United Hardware & Furniture Distributing Co.
Nov. 18 (letter of notification) 1,650 shares of 5% cumulative preferred stock (par $100) and 2,100 shares of common stock (par $10) to be offered on basis of 11 shares of preferred and 14 shares of common stock to each retailer. **Price**—$100 per share for preferred, and $50 per share for common stock. **Proceeds**—For working capital. **Office** — 2432 Second St., North, Minneapolis, Minn. **Underwriter**—None.

United Merchants & Manufacturers, Inc.
Oct. 7 filed 574,321 shares of common stock (par $1). **Price**—At the market (either on the New York Stock Exchange or through secondary distributions). **Proceeds**—To a group of selling stockholders who will receive the said shares in exchange for outstanding preferred and common stock of A. D. Juilliard & Co., Inc., on the basis of 6½ shares of United Merchants stock for each Juilliard common or preferred share. **Underwriter** — None. Statement effective Oct. 26.

United Rayon Mfg. Corp. (Netherlands) (12/3)
Oct. 9 filed "A. K. U." American depositary receipts for 180,000 American shares representing 10,000 ordinary shares of A. K. U. at the rate of 20 American shares for each ordinary share of Hfl. 1,000 par value. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders, who purchased the ordinary shares from the company, the proceeds to be used by it for capital additions to plants and facilities. **Underwriter** — Lazard Freres & Co., New York.

Uranium, Inc., Salt Lake City, Utah (11/27)
Nov. 10 (letter of notification) 833,333 shares of common stock (par one cent). **Price**—Six cents per share. **Proceeds**—To equip and survey properties and for working capital. **Office**—702 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Cayias Brokerage Co., Salt Lake City, Utah.

Virginia Electric & Power Co. (12/1)
Oct. 28 filed 558,946 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, and Kidder, Peabody & Co. **Bids**—To be received up to 11 a.m. (EST) on Dec. 1 at Room 735, 11 Broad St., New York, N. Y.

Warren Telephone Co., Warren, Ohio
Oct. 27 (letter of notification) 3,000 shares of $5 dividend preferred stock (no par) being offered for subscription by preferred stockholders of record Nov. 10 on the basis of 0.178147 of one new share for each share held; rights expire on Nov. 28. **Price**—$100 per share and accrued dividends. **Proceeds**—To discharge short-term indebtedness and for improvements and expansions to plant. **Office**—220 South Park Ave., Warren, Ohio. **Underwriter**—None.

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.

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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.

Western Empire Petroleum Co., Ogden, Utah
Oct. 22 (letter of notification) 3,000,000 shares of common stock (par 10 cents). **Price**—5 cents per share. **Proceeds** — For additional working capital, to acquire leases, drill well, etc. **Office**—812 Eccles Bldg., Ogden, Utah. **Underwriter** — Samuel B. Franklin & Co., Los Angeles, Calif.

★ **Western States Copper Corp., Seattle, Wash.**
Nov. 16 (letter of notification) 36,992 shares of preferred stock (par $1) and 100,000 shares of common stock (par 50 cents). **Price**—At par. **Proceeds**—For diamond drilling. **Office**—5909 Phinney Ave., Seattle 3, Wash. **Underwriter**—None.

★ **Winn & Lovett Grocery Co., Jacksonville, Fla.**
Nov. 12 (letter of notification) 9,958 shares of common stock (par $1), to be offered to employees pursuant to Employees Stock Purchase Plan. **Price**—At 95% of the market, which on Oct. 30 was $30.12½ per share. **Proceeds** — For working capital. **Office**—5050 Edgewood Court, Jacksonville, Fla. **Underwriter**—None.

Wyoming Oil Co., Denver, Colo.
Nov. 3 (letter of notification) 5,000,000 shares of common stock (par five cents). **Price**—5½ cents per share. **Proceeds** — For drilling expenses. **Office** — 301 Kittredge Bldg., Denver, Colo. **Underwriter** — Robert W. Wilson, Denver, Colo.

Prospective Offerings

American Louisiana Pipe Line Co.
Nov. 10 company, a subsidiary of American Natural Gas Co., asked Federal Power Commission to authorize construction of a $130,000,000 pipe line, to be financed through the issuance of $97,500,000 of first mortgage bonds, $12,000,000 of interim notes convertible to preferred stock at option of company, and $20,500,000 of common stock (par $100), the latter to be sold to parent.

Appalachian Electric Power Co. (1/11)
Nov. 10 it was announced company plans to issue and sell $20,000,000 first mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Jan. 11. **Registration**—Planned for Dec. 9.

Atlantic City Electric Co.
Oct. 5 B. L. England, President, announced that the company plans to issue and sell early next year about $4,-000,000 of new bonds and make an offering to stockholders on a 1-for-10 basis of sufficient common stock to raise an additional estimated $3,000,000. **Proceeds**—For construction program. **Underwriters**—For common stock may be Union Securities Corp. and Smith, Barney & Co. Previous bond issue was placed privately.

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.

Aztec Oil & Gas Co.
Aug. 11 it was reported company's common stock (held by Southern Union Gas Co.) may be offered to stockholders of the parent company on a pro rata basis under a proposed divestment plan.

Bagdad Copper Corp.
Oct. 26 it was reported company has advised stockholders it had revised downward from $14,000,000 to between $7,000,000 and $8,000,000 its needs for new financing.

Baltimore & Ohio RR.
Nov. 9 it was reported company is planning to issue $60,-000,000 of new collateral trust 4% bonds to mature in 1-to-16 years in exchange for a like amount of collateral trust bonds due Jan. 1, 1965 now held by the Reconstruction Finance Corporation. The latter in turn plans to offer the new bonds to a group of investment houses including Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Alex. Brown & Sons; and others. The bankers would then offer the bonds to the public.

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.

Central Illinois Electric & Gas Co.
Oct. 30 it was announced company intends to offer and sell (in addition to 70,400 shares of common stock to stockholders) an issue of 15,000 shares of cumulative preferred stock, par $100, later this year and $4,000,000 of first mortgage bonds about the middle of 1954. **Proceeds** — To repay bank loans and for new construction. **Underwriters** — (1) For preferred stock—Stone & Webster Securities Corp., New York. (2) For bonds—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Central Maine Power Co.
Oct. 7 it was reported company plans sale during the first quarter of 1954 of $10,000,000 common stock 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.

Colorado Oil & Gas Co.
Nov. 12 it was reported company, a subsidiary of Colorado Interstate Gas Co., plans issuance and sale of about $20,000,000 of common stock. **Proceeds**—For exploration and development. **Underwriter**—Union Securities Corp., New York. **Offering**—Expected early next year.

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.

Commercial State Bank & Trust Co. of New York
Nov. 6 it was announced company plans to offer to its stockholders 11,000 additional shares of capital stock (par $25) on a 1-for-5 basis held on Nov. 23; with rights to expire on Dec. 10. **Price**—$45 per share. **Proceeds**—To increase capital and surplus.

Commonwealth Edison Co.
Oct. 19 Willis Gale, Chairman, announced that if the separation of the gas and electric properties is carried out, a substantial block, perhaps $60,000,000, of mortgage bonds constituting a lien on the gas properties would be sold to public investors by Edison as the next step in financing its $1,100,000,000 postwar construction program. Upon transfer of the properties, Northern Illinois Gas Co., the new gas company to be formed would assume the sale obligation of the bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.; Kuhn, Loeb & Co., Lehman Brothers and American Securities Corp. (jointly).

Consolidated Edison Co. of New York, Inc. (1/12)
Nov. 10 it was reported the company is planning to apply to the New York P. S. Commission for authority to issue and sell $35,000,000 of 30-year first and refunding mortgage bonds, series J, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received Jan. 12.

Consumers Power Co. (1/6)
Oct. 30 company filed an application with Michigan P. S. Commission for authority to offer 679,436 additional shares of common stock to shareholders for subscription on basis of one share for each 10 shares held as of Jan. 7, 1954; rights to expire on Jan. 22, 1954. Unsubscribed shares will be offered first to employees. **Price**—To be determined by company and announced on Jan. 4, 1954. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan, Stanley & Co.; Harriman Ripley & Co. and The First Boston Corp. (jointly); Lehman Brothers. **Bids**—To be received on Jan. 6.

Delaware Power & Light Co.
Oct. 5 it was announced company plans to issue and sell in 1954 about $10,000,000 of first mortgage and collateral trust bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); W. C. Langley & Co.

Detroit Edison Co.
March 24 it was announced company plans to issue an unspecified amount of convertible debentures due 1963 (about $55,000,000 to carry an interest rate not exceeding 4%) which may first be offered for subscription by stockholders. **Proceeds**—To retire bank loans and to meet construction costs. **Meeting**—Stockholders on April 14 authorized the new debentures. **Underwriter**—None.

Eastern Utilities Associates
Feb. 20 it was announced company plans sale of $7,000,-000 collateral trust mortgage bonds due 1973. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp., White, Weld & Co. and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

Erie RR. (12/10)
Bids will be received by the company up to noon (EST) on Dec. 10 for the purchase from it of $5,400,000 equipment trust certificates to be dated Jan. 15, 1954 and due annually 1955-1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Essex County Electric Co.
Sept. 21 it was reported company plans issuance and sale of $4,000,000 30-year first mortgage bonds. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

Fire Association of Philadelphia (1/18)
Nov. 16 it was announced company plans to offer to its stockholders Jan. 18, 1954, the right to subscribe on or before Feb. 17 for 340,000 additional shares of capital stock (par $10) on the basis of one new share for each share held. **Price**—Expected to be $22.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None, but The First Boston Corp., New York, will act as advisors to the company. **Meeting** — Stockholders will vote Jan. 14 on increasing authorized number of shares from 360,000 (340,000 outstanding) to 800,000.

General Tire & Rubber Co.
Oct. 23 it was announced stockholders on Dec. 3 will vote on approving a proposal to authorize 350,000 shares of $100 par preferred stock. There are said to be no present plans for issuing any of these shares when authorized.

Houston Lighting & Power Co.
Sept. 25 it was reported company plans some new financing to provide funds for its construction program. Bidders for about $25,000,000 of bonds may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp.;; Lehman Brothers; Smith, Barney & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.

Idaho Power Co.
Aug. 6, officials of Blyth & Co., Inc. and Bankers Trust Co., New York, testified before the Federal Power Commission that this company plans to raise $184,550,000 to finance construction of three hydro-electric projects on Snake River, Idaho. If approved, the financing will consist of $105,000,000 of bonds through 1962; $27,400,000 of preferred stock; and $52,150,000 of common stock. Throughout the financing period, the company would borrow and repay $29,000,000 of short-term loans. Final financing details would depend on market conditions.

★ **Illinois Central RR.**
Nov. 20 it was reported company may sell an issue of bonds or debentures, the proceeds of which will be used, in part, to redeem on Feb. 1, next, the outstanding $34,-743,000 4¾% debentures due 1966. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc., and Union Securities Corp. (jointly).

Iowa-Illinois Gas & Electric Co.
Nov. 10 it was reported company plans issuance and sale of 40,000 shares of preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—If by competitive bidding, they may include: The First Boston Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. **Offering**—Expected in January.

Long Island Lighting Co.
Nov. 9 it was announced that to complete the construction program through 1955, it is estimated that the company will require approximately $55,000,000 in addition to proceeds from the common stock offerings in October and from the sale of $25,000,000 of bonds this week, and from funds expected to be provided by depreciation accruals and retained earnings. The nature, amounts and timing of such additional financing will depend in part on construction progress and market conditions existing from time to time.

Louisville & Nashville RR. (11/30)
Bids are expected to be received by the company up to noon (EST) on Nov. 30 for the purchase from it of $6,-765,000 equipment trust certificates, series N, to be dated Dec. 15, 1953, and to mature in annual instalments to and including Dec. 15, 1968. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

Louisville & Nashville RR.
Nov. 12 it was reported that the company may issue and sell an issue of bonds late in 1954. **Proceeds**—To retire $24,610,000 Atlanta, Knoxville & Cincinnati Division 4% bonds due May 1, 1955, and for general corporate purposes. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Salomon Bros. & Hutzler (jointly).

Maier Brewing Co., Los Angeles, Calif.
April 18 it was announced company will offer 400,000 additional shares of common stock to its stockholders at rate of four new shares for each share held. **Price**—$5 per share. **Prcoeeds** — To help finance a new bottling plant. **Underwriter**—None.

McBride Oil & Gas Corp., Houston, Tex.
Nov. 8 it was announced that early registration is expected of approximately $5,000,000 of common stock. **Price**—Expected to be about $2 per share. **Proceeds**—For expansion program. **Underwriter** — Bryan & Co., Houston, Tex.

Milwaukee Gas Light Co.
July 7 company sought SEC approval of a bank loan of $9,000,000 the mature Aug. 1, 1954. These borrowings plus retained earnings, are designed to finance expansion pending formulation of permanent financing prior to maturity of notes. Probable bidders for bonds: Halsey Stuart & Co. Inc.; Glore, Forgan & Co. and Lehman

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Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly); Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Harriman Ripley & Co. Inc.

Montreal Transportation Commission
Nov. 5 it was reported that an issue of $15,000,000 bonds will be offered following financing City of Montreal. **Underwriter**—Probably Shields & Co., New York.

Mystic Valley Gas Co.
Sept. 21 it was reported company plans issuance and sale of about $6,000,000 of bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

New England Electric System
Nov. 13 it was announced Bartholomew A. Brickley, trustee for International Hydro-Electric System, has filed a petition with the U. S. District Court to sell 125,000 shares of NEES common stock before Jan. 1, 1954 in order to establish a tax loss. A hearing will be held on Nov. 30. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly).

● New York, New Haven & Hartford RR. (12/9)
Bids will be received by the company up to noon (EST) on Dec. 9 for the purchase from it of $6,600,000 equipment trust certificates to mature in 1-to-15 years. An additional $6,600,000 certificates will be offered later. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

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. **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.

North American Acceptance Corp.
Oct. 15 it was reported company plans to issue and sell in January all or part of 300,000 authorized shares of preferred stock (par $10), subject to approval of stockholders on Dec. 17. **Underwriter**—J. G. White & Co., New York.

North Shore Gas Co.
Sept. 21 it was reported that company plans issuance and sale of about $3,000,000 bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

Northern Illinois Gas Co.
See Commonwealth Edison Co. above.

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.

● Ohio Edison Co. (1/13)
Nov. 19 company sought SEC approval to offer for subscription by its common stockholders of record Jan. 14, on a 1-for-10 basis, 527,830 additional shares of common stock (with an oversubscription privilege). **Price**—Expected to be named on Jan. 11. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Glore, Forgan & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received on Jan. 13.

● Ohio Edison Co. (1/19)
Nov. 19 company applied to SEC for authority to issue and sell $30,000,000 first mortgage bonds due 1984. **Proceeds**—For repayment of bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Union Securities Corp. (jointly). **Bids** — Expected to be received on or about Jan. 19.

Public Service Co. of Colorado
Oct. 13 it was reported company is planning to float an issue of $15,000,000 first mortgage bonds, due 1984, early next year. **Proceeds**—For financing, in part, a $17,000,000 electric generating plant to be constructed in Denver, Colo. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Harris, Hall & Co. Inc.; Harriman Ripley & Co., Inc. and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Blyth & Co., Inc. and Smith, Barney & Co. (jointly).

Public Service Co. of Indiana, Inc. (1/12)
Nov. 10 it was reported the company is planning to issue and sell $25,000,000 first mortgage bonds, series K, due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on Jan. 12. **Registration**—Expected about mid-December.

● Ritter Finance Co., Inc., Jenkintown, Pa.
Nov. 5 it was reported company plans to offer $1,000,000 5½% 12-year subordinated debentures. **Underwriter**—Stroud & Co., Inc., Philadelphia, Pa. **Offering**—Expected some time after Dec. 15. Early registration planned.

St. Louis-San Francisco Ry (12/8)
Bids are expected to be received by the company on Dec. 8 for the purchase from it of $7,500,000 equipment trust certificates, series M, to be dated Jan. 1, 1954 and to mature annually to and including Jan. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co., Inc.

● Southern Pacific Co. (12/3)
Bids will be received up to noon (EST) on Dec. 3 at 165 Broadway, New York 6, N. Y., for the purchase from the company of $5,925,000 equipment trust certificates, series LL, to mature in 15 equal annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co., Inc.

Suburban Electric Co.
Sept. 28 it was reported company plans issuance and sale of about $4,000,000 bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Lehman Brothers; Kidder, Peabody & Co.

★ Utah Power & Light Co.
Nov. 13 it was reported company plans to offer around March, 1954, about 225,000 shares of common stock and in May or June, 1954, approximately $16,000,000 of bonds. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. Previous common stock offering (in 1952) was made to stockholders, without underwriting.

West Coast Transmission Co.
Oct. 14 it was announced that company now plans to issue $29,000,000 in 1-to-5½-year serial notes; $71,000,000 in 20-year, first mortgage bonds; and $24,440,000 in subordinated long-term debentures and 4,100,000 shares of common stock to be sold to the public. **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.

New Hentz Branch

CORAL GABLES, Fla. — H. Hentz & Co., members of the New York Stock Exchange, have opened a branch office at 2312 Ponce de Leon under the management of L. Blanche Bowen and Charles S. Goldy.

With Green, Erb & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Anton Potokar, Jr. is with Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

THE GAULEY MOUNTAIN COAL COMPANY
DIVIDEND NOTICE

At a meeting of the Board of Directors of The Gauley Mountain Coal Company held November 23, 1953, a dividend of $1.00 per share on the Capital Stock of the Company was declared payable December 10, 1953, to shareholders of record at the close of business November 27, 1953.

CHARLES E. HEWITT, Treasurer.
November 23, 1953.

DIVIDEND NOTICE

Manufacturers of AE WALL & FLOOR TILE

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 15 cents plus an extra dividend of 5 cents a share on the Common Stock, payable November 30, 1953, to stockholders of record on November 27, 1953.

G. W. THORP, JR.
Treasurer
November 19, 1953.

DIVIDEND NOTICES

Bayuk Cigars Inc.

A dividend of fifteen cents (15¢) per share on the Common Stock of this Corporation was declared payable December 15, 1953, to shareholders of record November 30, 1953. Checks will be mailed.

A. WEDEMEYER
TREASURER

Philadelphia, Pa.
November 20, 1953

PHILLIES
America's No. 1 cigar

ANACONDA
DIVIDEND NO. 182

November 25, 1953

The Board of Directors of Anaconda Copper Mining Company has today declared a dividend of Seventy-five Cents ($.75) per share on its capital stock of the par value of $50 per share, payable December 23, 1953, to stockholders of record at the close of business on December 4, 1953.

C. EARLE MORAN
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

DIVIDEND NOTICES

AMERICAN METER COMPANY
Incorporated

AMERICAN METER CO EST. 1836

1513 RACE STREET
Phila. 2, Pa., Nov. 24, 1953

A quarterly dividend of Fifty Cents ($.50) per share has been declared on the Capital Stock of the Company, payable December 15, 1953, to stockholders of record at the close of business December 1, 1953.

W. B. ASHBY, *Secretary.*

The American Tobacco Company
INCORPORATED

111 Fifth Avenue New York 3, N.Y.

197TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on January 2, 1954, to stockholders of record at the close of business December 10, 1953. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*
November 24, 1953

Dividend Notice

THE ARUNDEL CORPORATION BALTIMORE MARYLAND

The Board of Directors of the Arundel Corporation has this day (November 24, 1953) declared thirty cents per share as a quarterly dividend, and fifty cents per share as an extra dividend, on the no par value stock of the corporation, issued and outstanding, payable on and after December 24, 1953, to the stockholders of record on the corporation's books at the close of business December 15, 1953.

MARSHALL G. NORRIS,
Secretary.

DIVIDEND NOTICES

AMERICAN STORES COMPANY

141st Dividend

The Board of Directors on November 18, 1953 declared the regular quarterly dividend of 50¢ per share.

At the same time the Board of Directors declared a 5% stock dividend.

Both dividends are payable January 2, 1954 to stockholders of record on November 30, 1953.

JOHN R. PARK
Vice President and Treas.

ACME
Acme Super Markets

A M M INC.

AMERICAN MACHINE AND METALS, INC.

40th Dividend

A QUARTERLY dividend of 25¢ a share and
AN EXTRA dividend of 35¢ a share will be paid concurrently on December 22, 1953 to shareowners of record at the close of business on December 8, 1953.

H. T. McMeekin, *Treasurer*

C.I.T. FINANCIAL CORPORATION
DIVIDEND NO. 125

CIT

A quarterly dividend of $0.50 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable January 1, 1954, to stockholders of record at the close of business December 10, 1953. The transfer books will not close. Checks will be mailed.

C. JOHN KUHN,
Treasurer

November 25, 1953.

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DIVIDEND NOTICES

Borden's

DIVIDEND No. 175

The final dividend for the year 1953 of one dollar ($1.00) per share has been declared on the capital stock of *The Borden Company*, payable December 19, 1953, to stockholders of record at the close of business December 2, 1953.

E. L. NOETZEL
November 24, 1953 *Treasurer*

THE BYRNDUN CORPORATION

The Directors of the Byrndun Corporation at its meeting held on November 24, 1953, declared a dividend of $1.50 per share on the Participating Preferred Stock, a dividend of $2.50 per share on the Class "A" Participating Stock, and a dividend of $3.50 per share on the Second Preferred Stock; also a dividend of twenty-five cents (25¢) per share on the Class "A" Participating Stock, Class "A" Common Stock and Common Stock; no dividend on fractional shares, all payable on December 18, 1953 to stockholders of record at 3:00 P.M., December 8, 1953.

H. G. FAHLBUSCH, *President*
November 24, 1953.

BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of one dollar and ten cents ($1.10) per share, on the capital stock (without par value) of the Corporation, payable December 15, 1953, to stockholders of record November 27, 1953.

L. G. REGNER, Secretary.
November 17, 1953.

ELECTRIC BOND AND SHARE COMPANY

TWO RECTOR ST., NEW YORK 6, N. Y.

Common Stock Dividend

The Board of Directors has declared a dividend, subject to the approval of the Securities and Exchange Commission, on the Common Stock, payable December 29, 1953, to stockholders of record at the close of business November 27, 1953. The dividend will be payable in shares of United Gas Corporation Common Stock at the rate of 2.6 shares for each 100 shares of Electric Bond and Share Company Common Stock. No scrip representing fractional shares of United Gas Corporation Common Stock will be issued to stockholders. The Company proposes to arrange for the Company's dividend agent to handle fractional share equivalents for the stockholders.

B. M. BETSCH,
Secretary and Treasurer
November 19, 1953.

Johns-Manville Corporation

JOHNS-MANVILLE JM PRODUCTS

DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock, and, in addition thereto, a year-end dividend of $1.25 on the Common Stock, both payable December 10, 1953, to holders of record November 30, 1953.

ROGER HACKNEY, *Treasurer*

KENNECOTT COPPER CORPORATION

161 East 42d Street, New York, N.Y.

November 20, 1953

A cash distribution of Two Dollars and Twenty-five cents ($2.25) a share has been declared today by Kennecott Copper Corporation, payable on December 18, 1953, to stockholders of record at the close of business on December 1, 1953.

ROBERT C. SULLIVAN, *Secretary*

ALLEN B. DU MONT LABORATORIES, INC.

The Board of Directors of Allen B. Du Mont Laboratories, Inc. this day has declared a dividend of $.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock payable January 1, 1954 to Preferred Stockholders of record at the close of business December 15, 1953.

November 19, 1953 Paul Raibourn, Treasurer

DU MONT
In All Phases of Television

CHEMICALS · TEXTILES · PLASTICS

CELANESE CORPORATION OF AMERICA

180 Madison Avenue, New York 16, N.Y.

THE Board of Directors has this day declared the following dividends:

4½% PREFERRED STOCK, SERIES A
The regular quarterly dividend for the current quarter of $1.12½ per share, payable January 1, 1954, to holders of record at the close of business December 4, 1953.

7% SECOND PREFERRED STOCK
The regular quarterly dividend for the current quarter of $1.75 per share, payable January 1, 1954, to holders of record at the close of business December 4, 1953.

COMMON STOCK
25 cents per share payable December 22, 1953, to holders of record at the close of business December 4, 1953.

R. O. GILBERT
Secretary
November 24, 1953.

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company on November 20, 1953 declared a quarterly dividend of one dollar ($1.00) per share on its $10 par value Common stock. The Board also declared a year-end dividend of one dollar ($1.00) per share on such stock. Both dividends are payable December 14, 1953 to stockholders of record at the close of business November 30, 1953.

ERLE G. CHRISTIAN, *Secretary*

LOEW'S INCORPORATED

MGM PICTURES · THEATRES · MGM RECORDS

November 24, 1953

The Board of Directors has declared a dividend of 20c per share on the outstanding Common Stock of the Company, payable on December 24, 1953, to stockholders of record at the close of business on December 11, 1953. Checks will be mailed.

CHARLES C. MOSKOWITZ
Vice Pres. & Treasurer

SOUTHERN LINES PACIFIC

SOUTHERN PACIFIC COMPANY

DIVIDEND NO. 144

A QUARTERLY DIVIDEND of Seventy-five Cents ($.75) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on December 21, 1953, to stockholders of record at the close of business November 30, 1953.

E. J. GOODWIN, Treasurer.
New York, N. Y., November 19, 1953.

LIBERTY PRODUCTS CORPORATION

Farmingdale, New York

November 24, 1953

The Board of Directors of Liberty Products Corporation declared the regular quarterly dividend of Twenty Cents (20¢) per share on its common stock, payable December 31, 1953 to stockholders of record at the close of business on December 9, 1953.

An extra dividend of Twenty Cents (20¢) per share has also been declared payable December 31, 1953 to stockholders of record at the close of business December 9, 1953.

William G. Holman
Treasurer

MERCK & CO., INC.

RAHWAY, N. J.

MERCK

Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, $1.00 a share on the $4.00 convertible second preferred stock, and $1.06¼ a share on the $4.25 second preferred stock have been declared, payable on January 2, 1954 to stockholders of record at the close of business December 11, 1953.

JOHN H. GAGE,
November 24, 1953 *Treasurer*

Old Town

CORPORATION
Manufacturers of DUPLICATING MACHINES
CARBON PAPERS · RIBBONS

The Board of Directors has declared the following dividends:

PREFERRED STOCK
DIVIDEND No. 4

A regular quarterly dividend of 10 cents per share on the 40¢ Cumulative Preferred Stock, payable December 31, 1953 to stockholders of record December 18, 1953.

COMMON STOCK
DIVIDEND No. 46

A dividend of 20 cents per share on the Common Stock, payable January 2, 1954 to stockholders of record December 18, 1953.

BORDEN R. PUTNAM,
Vice-President & Treasurer.
November 24, 1953.

UFC

UNITED FRUIT COMPANY

218th

Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable January 15, 1954, to stockholders of record Dec. 11, 1953.

EMERY N. LEONARD
Secretary and Treasurer
Boston, Mass., November 16, 1953

Tennessee Gas Transmission Company

DIVIDEND NO. 25

The Board of Directors has declared a quarterly dividend of 35c per share on the Common Stock, payable January 2, 1954 to stockholders of record on December 4, 1953.

J. E. IVINS,
Secretary.

TGT

YALE & TOWNE

DECLARES 263rd DIVIDEND

50¢ PER SHARE

On Nov. 24, 1953, dividend No. 263 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on Jan. 2, 1954, to stockholders of record at the close of business Dec. 8, 1953.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.
Cash dividends paid in every year since 1899

Edison

Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 178

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 27

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable December 31, 1953, to stockholders of record December 5, 1953. *Checks will be mailed from the Company's office in Los Angeles, December 31, 1953.*

P. C. HALE, *Treasurer*
November 20, 1953

CONSOL

The Board of Directors of

PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 75 cents per share on the Common Stock of the Company, payable on December 14, 1953, to shareholders of record at the close of business on December 4, 1953. Checks will be mailed.

CHARLES E. BEACHLEY,
Secretary-Treasurer
November 23, 1953.

The Board of Directors of

Wentworth Manufacturing Company

has declared a dividend of twelve and one-half cents (12½c) per share on the outstanding common stock of the Company, payable on December 18, 1953, to stockholders of record at the close of business December 4, 1953.

Checks will be mailed.

JOHN E. McDERMOTT,
Secretary.

TEXAS UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors today declared a dividend of 52 cents per share on the Common Stock of the Company, payable January 4, 1954 to stockholders of record at the close of business December 1, 1953.

JOHN HUME
Secretary
November 20, 1953.

TC
TENNESSEE CORPORATION

TENNESSEE CORPORATION

November 17, 1953

CASH DIVIDEND

A dividend of fifty (50¢) cents per share has been declared payable December 23, 1953, to stockholders of record at the close of business November 27, 1953.

EXTRA CASH DIVIDEND

An extra dividend of thirty (30¢) cents per share has been declared payable January 6, 1954, to stockholders of record at the close of business November 27, 1953.

STOCK DIVIDEND

In addition, a 5% stock dividend has been declared payable December 23, 1953, to stockholders of record at the close of business November 27, 1953.

Cash will be paid in lieu of the issuance of fractional shares.

The above cash dividends will not be paid on the shares issued pursuant to the stock dividend.

JOHN G. GREENBURGH
Treasurer.
61 Broadway
New York 6, N. Y.

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There has developed a good prospect that the Treasury and GOP leaders in Congress will be able to get together amicably on a program of tax reform and tax reduction for the next session of Congress.

If this outlook develops to fruition it will help greatly not merely to avoid the frictions of 1953, such as over the Excess Profits Tax extension, but also give a considerable boost to the possibility of an orderly enactment of a reasonably well balanced tax program.

Concord between the Treasury and the Congressional Republican leaders will not, of course, solve all problems. That is because there are a lot of Democrats still sticking around. The latter will be looking for ways to throw the harpoon into all the best laid plans of the Administration.

On the other hand, if the Treasury and the Congressional GOP team can keep from scrapping and even get together constructively, they might be able to wrap up a package that would be sufficiently harpoon proof not to be sunk in the prospective political storms of 1954.

Treasury Changing Views

Probably the chief reason for the improved prospects for accord between the Treasury and Congressional GOP leaders on tax legislation is due to the changing Treasury evaluation of its goals and problems.

Up until most recently the Treasury was playing it according to GOP scripture on the budget. The corporation income tax might not be allowed to drop below 52%, and the higher rates of excise must be maintained, both beyond April 1. Or if not, Congress must find substitute taxes. The best possible job must be done toward balancing the budget in fiscal '55. That was the Treasury view up until most recently.

Now the astute George M. Humphrey, who has appeared to learn the secrets of the Washington political trade a lot faster than some of the other big boys in the new class, has come to recognize the almost inevitable realities of 1954.

One of these is that a very great economy in appropriations will not be possible in 1954, what with Congress in an election year truckling to the pressure groups and the Administration continuing to buy heavily into world saving preferred.

This does not mean that some good slices will not be taken off recommended appropriations here and there, and that world saving, particularly in the form of "mutual security" will get all it asks for. It just means that considering the election, the nature of Congressmen, the world-spending nature of the President, and the clever machinations of the Democrats, the result will be inconclusive for economy.

So there will be another unbalanced budget in 1955, and first Joe Dodge, then George Humphrey, and finally Dwight D. Eisenhower, have come to live with this outlook.

Will Be Tax Cuts

The other reality the Treasury has come to accept is that Congress, especially GOP Congressmen, won't read a chapter of the GOP fiscal scripture every night before they go to bed. The Administration just hasn't got the pull to put across another tax program overwhelmingly opposed by the majority of Congress.

Finally, it appears to observers that the Treasury, far from being smug about having bested Dan Reed and the other opponents of EPT extension, has come to have a deep respect for his Committee and the Senate Finance Committee.

This is not merely a cynical comprehension and acceptance of the power of these committees, or of the fact that Mr. Eisenhower has lost a lot of his political lustre. It is a recognition that most of these men on the taxing committees also are men of deep principle, who if not got together on a total tax program they consider of benefit to the nation as well as their party, would simply dig their heels into the ground when it came time to extend the corporation income tax. For many of these men oppose high business taxation even if it makes them politically vulnerable.

Outlook Summarized

So there will be a tax reform bill. It will not, of course, be spectacular, but it will make a start toward ending taxing dividends on corporation income already taxed. It will also start a better deal on depreciation. It will do a lot of other things for the suffering taxpayer, perhaps not so spectacular.

What is to the point is that the Treasury will not sharpen its pencil and declare sourly as before that this reform will cost so much and that reform will cost so much, and maybe things had better wait. On tax reform the Treasury will be willing to take the gamble that at least a start toward resowing the incentives of the American system will before long come back in a harvest, and that the Treasury will get its percentage.

At this stage, however, an accurate forecast of what the next tax program will be, is futile for the reason that the Treasury is going to avoid having a separate program. There will not be a Treasury overall tax revision bill and a House Ways and Means Committee overall tax reform bill. There will be one bill. It will be a Ways and Means Committee bill. And it probably when finally introduced, will contain a basic agreement between the Treasury and the Committee.

Until the W & M Committee has a chance to review thoroughly all the work done by the Treasury Tax and Joint Committee staff men, it will not be possible to ascertain what will be in the bill. And the committee members will not be back until January. The Treasury is expected to be pliable to a considerable extent. If the committee wants to do it this way instead of that, the Treasury will strain hard to go along.

Whether the Committee will determine in connection with the overall revision bill or later what to do about the expiring rates of tax or substitutes therefore, remains to be seen. In any case the problem is likely to arise before any overall revision bill is on its way to the White House.

Hasn't Abandoned Economy

While recognizing the inevitability of an unbalanced budget for fiscal '55, the Treasury has not abandoned its goal of steady plugging for economy, with results to be obtained.

Widely quoted statements of an "Administration spokesman" that they would seek a cut of $5 to $6 billion in fiscal '55 expenses, did not mean some things the stories implied.

The report was that three-fourths of this cut would come out of defense spending. What was said was that they would come out of "security" spending, which is something else. It includes Harold Stassen's expensive give-away boondoggle, atomic energy, as well as military expenses of the Defense Department. It need not all come out of the latter.

Despite an off-hand and widely-quoted crack to that effect several weeks ago, Charles E. Wilson, Secretary of Defense, the favorite target of the preponderant left-wing journalistic population of Washington, D. C., has not committed himself to a U. S. domestic military spending level of $40 billion and not a penny less.

Chances are that not all the prospective aspirations for economy will show up in the big January budget tome. Maybe only half of them. Then, say as a guess, they estimated a spending level of $69 billion in January, the Administration will follow its new custom, after a few months of filing down spending demands, of coming out with a mid-summer budget revision cutting it another $2 billion or so.

Compromise on SBA

This is the new compromise on the Small Business Administration lending policy, following the departure of William D. Mitchell as Administrator:

Prior to Mr. Mitchell's departure the lending policy was to allow these government small business loans only for **production** of goods essential to national defense or the civilian economy.

The new loan policy statement allows loans not only for these economic objectives, but also for financing production or distribution of anything necessary to a "balanced economy."

As far as the regulation provides, this opens up to government credit aid, in theory, any small business loan to any kind of a small business for any kind of a purpose except for objectives specifically banned, such as gambling houses or other like places of amusement.

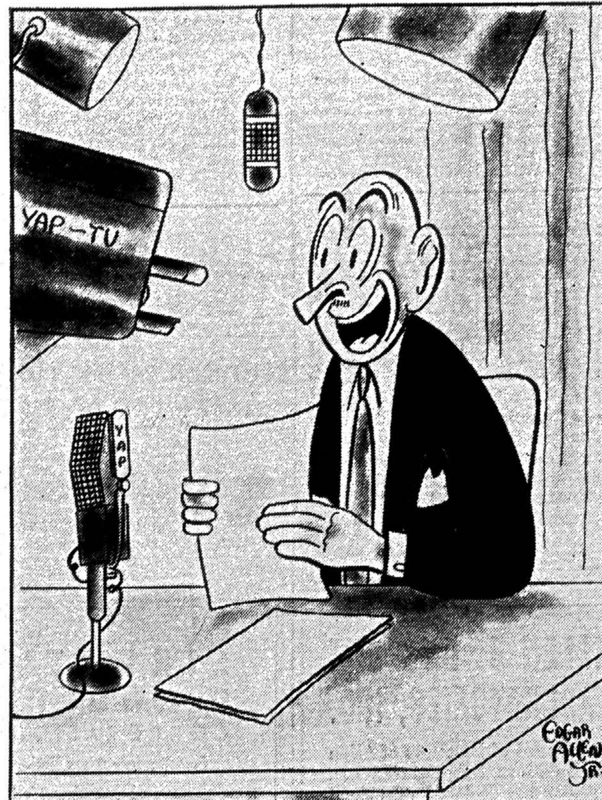
Thus the new regulation wipes away the political purpose of the earlier regulation, which was merely to create the Small Business Administration as a gesture—but to encourage local sponsoring of small business.

As a matter of fact, the earlier regulation, lawyers pointed out, was so restrictive as to negate the statute, which offered everything, and officials were almost compelled to broaden it.

On the other hand, the Administration has not determined to open any floodgates of direct government credit, and will still pursue relatively a pinch-penny lending attitude. However, the law and the new regulation will give the spenders an excuse to divert more money to this agency in the next Congress.

(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



"—And I have an exclusive prediction on the trend in industrials from Oatis B. Broadbottom who requests that his name be withheld—"

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N. Y. Stock Exchange Appoints Schwieger

Keith Funston, President of the New York Stock Exchange, has announced the appointment of John H. Schwieger as an Assistant Vice-President of the Exchange.

Mr. Schwieger is an Assistant Director of the Department of Member Firms and entered the employ of the Exchange as a page in August, 1930. He became associated with the Department of Member Firms in 1938 and has served as Assistant Manager in charge of Conduct and Finance and as Division Manager.

He was born in New York City in January, 1913, and, after graduation from high school, attended the College of the City of New York and Columbia University from which he received the degrees of Bachelor of Science and Master of Arts, respectively. Mr. Schwieger resides at 1530 Archer Road, Bronx, with his wife, Camilla, and three children.

Business Man's Bookshelf

Our Secret Allies: The Peoples of Russia — Eugene Lyons — Duell, Sloan & Pearce, New York, and Little, Brown & Co., Boston, Mass. (cloth), $4.50.

Those Perplexing Argentines — James Bruce—Longmans, Green & Co., N. Y. City (cloth), $5.

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