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EDITORIAL

As We See It

In sending to Congress his recent message on international economic policy, the President laid down a challenge to the extreme protectionists in his party. The Republican party has fully earned its standing as the protectionist party. It has always had within its ranks the extremists on this issue, as well as a good many others who were definitely and always inclined to the protectionist cause even though they were not fanatics on the subject. In more recent decades the Democratic party, for all its show making about reciprocal trade agreements and the like, has not been free of a good deal of the same sort of sentiment.

The President is not now asking for much, and partly in consequence of this fact is more likely

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WHAT DO YOU THINK?

Judging from the volume of letters received on the subject, many of our readers have been giving considerable thought recently to the implications of the full employment philosophy of government inherent in the Employment Act of 1946 which was the theme of the paper by Dr. Carl Wiegand, Professor of Economics at the University of Mississippi, published in The "Chronicle" of April 8 under the caption, "Full Employment and Its Dangers." The writers of the majority of the letters condemn the "full employment philosophy" and contend that the main tool to implement such a philosophy in the final analysis must be a gigantic public works program.

They say that taking money from one group to provide purchasing power for another segment of our economy adds nothing net to the purchasing power of the country and (Continued on page 35)

Defense of Administration's Tax Revision Measure

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

Prefacing his remarks by declaring our present tax system is a hodgepodge, Secy. Humphrey outlines as main points in the Tax Revision Bill before Congress: (1) it is a tax reform and not a tax reduction measure; (2) it helps millions of taxpayers who have been plagued by unjust and unfair hardships, and (3) it will help our economy to grow, new businesses to start, old businesses to grow, and all businesses to modernize. Lists Administration's recommendations bearing on the economy.

I

Present Tax System a Hodgepodge

The Treasury appreciates the opportunity to tell in open session here today why we think the tax revision bill now before your committee is so tremendously important to the future of this country. Before I go into some details of the revision bill and the reasons why it should be enacted, I would like to look for just a minute with you at the hodgepodge which is our present tax system and how it got to be that way.


George M. Humphrey

Our tax laws were last completely rewritten in 1876. It is obvious that some of the tax laws of 78 years ago, when the total Federal tax take was $294 million, might very well not be proper tax laws in 1954, when the tax take is upwards of $60 billion. And it is also true of many later provisions. Many of the specific provisions of the present internal Revenue Code have outlived their usefulness. They now work hardships on millions of individuals. They also reduce the incentive

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*A statement by Secy. Humphrey on the Tax Revision Bill (HR 8300) before the Senate Finance Committee, Washington, D. C., April 7, 1954.

The Chemical Industry's Outstanding Progress

By WALTER J. MURPHY*
Editor, "Chemical and Engineering News"

Dr. Murphy traces the development of the American chemical industry and notes, though it is one of our oldest industries, its greatest growth and integration occurred after World War I. Lists and describes as recent outstanding chemical developments: (1) the catalytic and thermal cracking of oil; (2) the Frasch Process of bringing sulphur to the surface; (3) the synthetic ammonia process; (4) introduction of antibiotics; (5) development of plastics; (6) creation of man-made fibers; and (7) the release of atomic energy. Stresses contribution to our economy made by chemists and attributes much of chemical industry's success to mass production methods. Pleads for more widespread chemical education.

Many, many years ago, indeed, back in the days of antiquity, in the days when alchemy flourished, an unknown author described chemists in these words: "The chymists are a strange class of mortals impelled by an almost insane impulse to seek their pleasure among smoke and vapor, soot and flame, poisons and poverty, yet among all these evils I seem to live so sweetly that I may die if I would change places with the Persian King."


Dr. Walter J. Murphy

In a number of respects this description is reasonably correct today. The chemist usually is a person dedicated to the pursuit of new knowledge concerning physical substances and in most instances this interest surpasses the desire to make a lot of money. Generally speaking the chemist has left the latter objective to the businessman, the banker and the lawyer. However, in recent

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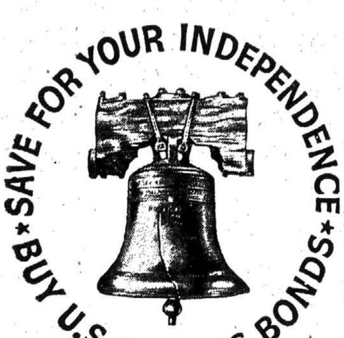
*An address by Mr. Murphy before the Kansas City Chamber of Commerce, March 31, 1954.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 50.



The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Shamrock Oil & Gas Company—George A. Kuhnreich, Cowen & Co., New York City. (page 2)

Flying Tiger Line, Inc.—Horace I. Poole, Eisele & King, Libaire, Stout & Co., New York City. Page 2)

GEORGE A. KUHNREICH

Cowen & Co., New York City

Shamrock Oil & Gas

With reserves estimated at 1.4 trillion cubic feet of gas and 48 million barrels of natural gas liquids Shamrock Oil & Gas Company should participate fully in the favorable long-term outlook of the oil and gas industry.


George A. Kuhnreich

Shamrock is primarily a producer and processor of natural gas. Its refining activities were considered as a sideline and the company did not enter this field, in all seriousness, until 1949 when a catalytic cracking unit was built and the octane race was entered. Thereafter a continuous coking unit was added and 1953 witnessed the construction of an alkylation plant for the production of aviation gasoline.

This change in policy was prompted by a desire to provide an outlet for its butane free natural gasoline, a blending agent used in refining, as well as an opportunity to utilize available and ample crude oil supplies. In addition, a good market for refined products existed within a few hundred miles of the refinery. Today, the Shamrock sign is a well known and respected landmark on the highways of Texas, Oklahoma, Kansas and the Rocky Mountain States.

During 1953, the McKee refinery, now rated as one of the most efficient and modern in the United States, processed some 10,400 barrels of crude daily. This reveals an increase of 7% over the previous year. Similarly, crude production increased more than 30% to a daily average of 2,800 barrels. Some 608,000 acres are held under lease of which 155,000 are considered as proven. While the bulk of Shamrock's acreage is located in the Texas Panhandle, some 120,000 acres are held in promising areas of New Mexico and in the Williston Basin. The latter acreage would appear to add speculative appeal. Drilling during 1953 added 57 oil and gas wells and management expects to accelerate its drilling and exploration activities.

It would be erroneous to infer that Shamrock is in a transition from the natural gas to the crude production and refining business. On the contrary, it is simply superimposing a crude production and refining structure on a firm foundation of natural gas.

Shamrock, during 1953 processed 137 billion cubic feet of natural gas of which 74 billion cubic feet was produced from its own wells. After extracting some 3.7 million barrels of natural gasoline and related products, the residue gas was sold to pipe line companies and carbon black producers. It is estimated that this phase of the company's operations produces earnings slightly in excess of $2 per share. As Shamrock's price received for gas is considerably below industry average, it is interesting to notice that the Texas legislature has currently three natural gas minimum price bills in committee. These proposed statutes call for legislative minimum prices ranging from 7c to 13c per MCF. The immediate impact of such legislation on the earning power of the company would be dynamic.

Present dividend payments of $2.40 are well covered and afford a yield of 5.2%. The longer term earnings outlook is excellent. Oil operations, in time, should become a substantial earnings factor. New refining and marketing units are anticipated to influence earnings favorably. It is estimated that 1954 results will be at least 20% better than 1953 earnings of $3.83.

Shamrock Oil & Gas common listed on the New York Stock Exchange, is currently quoted at about 47. Capitalization of the company consists of $15,000,000 3½% sinking fund debentures (1955-66) and 1,484,052 shares of common ($1 par).

HORACE I. POOLE

Eisele & King, Libaire, Stout & Co., New York City, Members N. Y. Stock Exchange, American Stock Exchange and Chicago Board of Trade.

The Flying Tiger Line Inc.

The common stock of The Flying Tiger Line Inc., on the American Stock Exchange is an impressive growth situation. When the merger with Slick Airways is completed this spring The Flying Tiger Line will be the world's largest airfreight carrier. With the many operating economies effected by the merger the earnings of the company, which have been sharply and steadily upward since 1949, should be substantially increased. Net income in fiscal 1953 was $1,853,155.


Horace I. Poole

Management of the line is young, capable, and aggressive. Since starting in business at the end of World War II with a handful of leased planes, the Flying Tigers have recorded an astonishingly rapid growth and today fly more than 48% of all domestic airfreight. In addition, they engage on a large scale in contract and charter operations around the world and should continue to handle a large volume of government business.

This latter type of traffic, the flying of government personnel and goods, is destined to increase as impressively as commercial airfreight. The economies in manhours and stockpiling of materiel alone insure that air shipment will assume a more important role in government planning through the coming years.

The Flying Tiger Line and Slick Airways, though certificated by the Civil Aeronautics Board, have been obliged to operate without any subsidy whatever and without the right to carry mail, parcel post, and express. That they have been able to do this, and in the case of the Tigers, to show a mounting profit for five consecutive years, is proof of their operating capabilities. The outlook now is that the all-cargo carriers will at last be granted permission to fly some portion of the mail, which should increase their gross volume considerably. Moreover, a tariff increase was recently granted by the Civil Aeronautics Board and this also will improve the financial picture.

The Flying Tigers, when completely merged with Slick, will have a fleet of over 50, including today's most modern airfreight planes, DC-6As. They have large maintenance and overhaul hangars in both Burbank, California and New York and conduct a sizable maintenance business for other airlines and for the government. Total assets of the combined companies will exceed $25 million. With profit margins narrowing in many lines of business, the economies of air transit times will become more and more apparent and the trend to airfreight should accelerate sharply, thus assuring a favorable future for the Flying Tigers — already the dominant company in the field.

It was recently said that new equipment about to be produced would cause a jump of 40 to 50 times the volume of airfreight. Last years' airfreight for the entire country could have been carried in 30 DC-6's and the tonnage equalled but one-tenth of 1% of the freight movement in the nation.

There have been many financial casualties in airfreight since 1946. Over 2,000 different items have been flown by airfreight. Methods for transporting the various cargo, and tariff rates profitable enough to fly this wide variety of items, has posed problems extending over the past eight years. Airfreight is now finding the answers.

You can't hold airfreight back when it can offer the shipper (1) packing costs 50% lower, (2) insurance costs as much as 90% lower and (3) savings in time running up to days on a two-hour schedule.

Airfreight benefits the merchant through:

Increased turnover of inventory.

Decreased investment in inventory.

Lower warehouse investment.

Fresh ripe food.

In the case of food, it is interesting to note that airborne tomatoes contain twice the Vitaminic C of those transported by surface; flowers last up to three time as long at the store, and fruits and vegetables have superior flavor due to the ripened condition in which they can be picked.

Savings effected by airfreight are clearly portrayed in the case of a consignment of nylon stockings sent from Chicago to Venezuela at a total expense of $3,000 by surface vs. $2,400 by airfreight The time savings was even more important to all for surface transportation involved 30 days, airfreight three days.

Flying Tiger's future may be in the air but it will be Old Father Time who will call the turns.

World Needs Restoration Of Gold Standard

By PHILIP CORTNEY*
President, Coty Inc., and Economist

Mr. Cortney pleads for gold price increase as necessary to facilitate central banks' rebuilding of adequate gold reserves; to increase liquidity of free world; and to stabilize dollar's present purchasing power. Lists following steps as essential for return to gold standard: (1) stoppage of inflation, including monetizing of government debt; (2) creation of free U. S. market for gold with freedom to export and import; (3) changed Reserve System operating method to create closer relationship between gold reserve and money supply; and (4) change in gold price to about $70 an ounce.

I

Having read the statement made by Dr. Burgess before the Committee I should be surprised if the present Treasury and the Management of the Federal Reserve Banks agree on the role gold should play in our monetary system. Yet they agree on what is called our gold policy, while we and the rest of the world are badly in need of a "gold standard policy." Gold is essentially a matter of international concern and yet we deal with it as if it were simply a national issue. Our country and the world needs the urgent restoration of an international currency, which can be only gold because most of the people have lost confidence in fiat currencies.

Philip Cortney

The free world has a disorderly, unstable and precarious monetary situation, supported and sustained by American inflation of money and credit, and by extravagant spending of dollars for aid, off-shore procurement, and the maintenance of American armies abroad.

Only the restoration of an unrestricted international gold standard will put an end to arbitrary domestic inflation and will make possible the expansion of unhampered international trade without discrimination against American goods and without constant intervention of governments by means of quotas, exchange controls and other expedients.

The main results of our so-called "gold policy" are the following: (a) it prevents the restoration of an international currency vitally necessary as an economic weapon of our foreign policy, and (b) our gold policy is basically inflationary because it compels our money managers to continue monetizing of debt and tampering with so-called reserves.

II

Post-war deflation is as classical a phenomenon as is inflation during war. But many, too many, people in responsible positions believe that we can avoid postwar deflation by further paper money inflation.

Like after the first World War we are faced with two problems: (a) to give again to the world currencies in which the peoples have confidence ("managed currencies" have turned out to be just another name for chronic currency depreciation); and (b) to prevent a strong deflationary trend of prices as a result of the stoppage of inflation.

Gold alone inspires universal and unqualified confidence, and it is my thesis that only by having gold correctly priced can (a) inflation be checked without a strong deflationary trend of prices, and (b) can we regain the international liquidity necessary to the restoration of unhampered, non-discriminatory, multilateral trade.

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

III

The reason why the 1929 depression was so deep and prolonged remains a mystery to many people. Many individuals are putting the main blame on the speculative bubble on the stock market. But the speculative bubble itself was due to the "managed currency" experiment of the Federal Reserve Board, which had world-wide repercussions.

After World War I we tried to maintain simultaneously the prewar 1914 price of gold in terms of the dollar and sterling, and the postwar inflated price level. The Federal Reserve Board succeeded in holding up the price level for a surprising length of time by an abnormal expansion of credit, but in so doing it aided in producing the boom. The illusion that we could maintain both the prewar 1914 price of gold and the postwar inflated price-level was shattered by the great depression, and the historic fact is that finally the purchasing power of sterling and of the dollar had to be adjusted to the purchasing

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*Statement by Mr. Cortney before the Federal Reserve Sub-Committee of the Banking and Currency Committee of the Senate, Washington, March 31, 1954.

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* Column not available this week.

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Chemical Comment

By IRA U. COBLEIGH

Enterprise Economist

A running account of current chemical corporate creativeness

Amid the fancy performance of shares on the Exchange, the chemicals have not quite kept pace with such profit palladins as General Electric, Boeing and Vanadium. There is not, however, the slightest reason to believe the chemicals are, or are likely to be, unpopular with investors. This "rolling recession," dainty decline, lowered boom, or whatever you want to call a certain perceptible slippage in our economic forward motion, has not hit the chemicals too badly, 1953 marked the largest chemical output in the history of laboratory ledgers; and a total 1953 outlay in new equipment and plant of $1.8 billion shows no wavering confidence in the future of this dynamic industry. True, projection for new plant account this year is down to a still respectable $1.6 billion, a quite amazing outlay in view of certain adverse factors in the trade that we shall tick off briefly.

Ira U. Cobleigh

As in most other fields, production has caught up and, in some instances, outpaced sales; and there has been some price softening. We no longer have the export markets to ourselves; on the contrary, European producers, powerful in world markets before World War II, have returned to aggressive production and sale. We even have to consider, quite seriously, tariff defenses against invasion of our native market. Then, too, production of many basic chemicals often creates costly local problems such as pollution of stream or atmosphere; and our civic temper no longer brooks such air begriming as the soot-sending soft coal furnaces of an earlier Pittsburgh.

Then, there have been some items researched, produced, and distributed at great initial expense, that either didn't live up to their billing, or were eroded, or rubbed out, by superior products or lower cost techniques. Chlorophyll, which never did create an acceptable personal aroma even for goats, who used it most, is not the profit winner it was two years ago. Sulfas have bowed to better antibiotics, the price of penicillin went down even faster than the fevers it attacks; synthetic alcohol has importantly displaced the fermented sort; and certain vaunted wonder drugs have created, as well as cured, maladies.

And, of course, taxes, with the exception of rapid depreciation benefits, have taken big bites out of chemical earnings, and reversed the traditional capacity of chemical companies to expand with money from retained earnings. Even such financially loaded companies as Allied Chemical have had, in due course, to emit debt securities, after years of exclusively equity capitalization.

Having recounted the recent debits in the chemical industry, let's turn to the brighter side. After all, the managements of chemical corporations must have in mind some very excellent future profit prospects, or they would never have earmarked $3½ billion for new plants in 1953-54. The long-term demand curve for certain basic elements is impressive. Sulphur for instance is required in hundreds of products and processes and the big ones like Texas Gulf and Freeport Texas are moving ahead briskly and expanding capacity this year, along with some of the newer and smaller ones like Mexican Gulf and Gulf Sulphur.

A highly discernible trend in the whole field is the broadening of operations; and investment preferences seem to follow the big diversified companies as against some of the smaller units, often staking their earning power on one or two basic materials or products. As in other industrial sections of the stock market, so with chemicals, the biggest and most established companies have, in recent years, often proved to be not only the best investments, but the best speculations for the rise. The good get better and the big get bigger.

In an industry growing at such a fabulous rate, however, there's plenty of room and a quite rosy future for most; and some one of the junior members of the club may turn out to be another Amerada. Texas City Chemicals, Inc., a lowly priced newcomer (stock sells at four over-the-counter) is parlaying sulphuric acid and phosphate rock into an interesting future, and has a process for deriving uranium oxide from the aforesaid phosphate rock. Blockson Chemical is another outfit with a phosphorescent background, turning out uranium in usable form for the Atomic Commission.

As a matter of fact, every time we draw a bead on the chemicals we're on the spot as to where to begin, which companies to talk about, or which chemical element to stress most. It's the same way today. We can note, however, that in the portfolios of most of the trusts, and top chemical preference of many, including Harvard Endowment Fund, is Union Carbide and Carbon Corp. Accordingly, some jottings from its 1953 report may prove of interest.

For the first time in history, sales passed the billion mark, advancing 7% over 1952. Net income, a rousing $102 million, delivers per share earnings of $3.55 and amply covered the $2.50 dividend vouchsafed to 109,551 shareholders.

Additions to plant in 1953 were at an all-time high, $160 million, about half going to the Chemical and Plastic Divisions. Union Carbide is the acknowledged leader in chemical plastic production, turning out the four principal species: phenolic and vinyl resins, polyethylene and polystyrene under the brand names of Bakelite, Vinylite and Krene.

We were talking about diversity of products. Well UC is a chemical department store dishing out metals and alloys resistant to heat, abrasion and corrosion; acids, alcohols, glycols, nitrogen and silicon, "Pyrofax" bottled gas for your seaside cottage, and a synthetic fiber, Dynel; batteries, antifreezes, carbons and graphites; oxygen, hydrogen, nitrogen and acetylene; and everything for welding. United Carbide produces for the consumer, as well as for other chemical companies, and virtually every industry you can think of.

Three hundred and thirty million dollars of long-term debt precede and provide the leverage for 28,952,794 common shares listed N. Y. S. E. and currently quoted at 78. If it were permitted to you to own but one chemical stock, sagacious security savants would not call you demented if you selected United Carbide. It's big, it's broad, and a front runner in reseach.

Perhaps we'll have time, also, for a few words about Mathieson Chemical Corporation, which has grown postwar perhaps as rapidly as any company, quite largely via the merger route. Actually Mathieson is a very mature company having started out way back in 1892 as Mathieson Alkali Works, with original capital of $1,710,000. From here it moved ahead quite astronomically, until today it boasts assets of $339,261,000, turns out over 400 drug and chemical products with the combined efforts of 18,000 employees, in 137 offices and plants which dot this planet.

Forty percent of Mathieson sales come from so-called industrial chemicals, featuring soda ash, caustic soda, chlorine, ammonia, sulphuric acid and methanol. The company leads in pelletized fertilizers, packing nitrogen potash and phosphate in a highly effective and concentrated form for more productive agriculture. The plant in Pasadena, Texas, has been on several occasions enlarged to meet the growing demand for this hopped-up fertilizer.

By merger with E. R. Squibb & Sons in 1952, Mathieson moved importantly into pharmaceuticals and ethical drugs. The Squibb name has for decades been a quality one in the field and Squibb has a fourfold approach to drug profits—(1) household drugs like tooth paste, aspirin, and shaving cream; (2) Vitamins; (3) medical items such as analgesics and sedatives; and (4) antibiotics including penicillin, and streptomycin.

As a copybook example of logical and profitable expansion, Mathieson presents an enterprise of long-term merit to investors. Net sales have zoomed from $18 million in 1944 to $243½ million in 1953. 1953 per share net was $3.30 out of which $2 was paid. Current quotation of around 40 indicates a 5% yield—quite attractive for a diversified chemical.

Other companies deserving consideration would surely include the big and the great like American Cyanamid, Dow, Monsanto and Allied Chemical and among the middle sized a look at Heyden, Hooker, Spencer and Davison at current prices might reveal some solid laboratory equities.

With EPT removed, the chemicals should carry more net to stockholders this year, research will rocket some companies into new areas of profitability, and the whole industry should double its production at least in this next decade. If this prospect seems unattractive, then go ahead and be a bear; but buy aspirins to cover your short position!

Role of Federal Government In Major Economic Depressions

By GROVER W. ENSLEY*

Staff Director, Joint Committee on the Economic Report, United States Congress

Expressing confidence any serious recession can be avoided, Dr. Ensley describes role of the Federal Government in preventing a major economic depression. Holds Federal Government cannot guarantee employment to everyone, and does not assume that an economic depression can never overtake us. Holds role of Federal Government is positive, since it is charged with creating an economic climate conducive to dynamic economic growth. Stresses need for early diagnosis of economic ills, and preparation of programs of action in advance. Lists as three major fields of action: (1) monetary; (2) public works, and (3) fiscal.

The United States has been in a recession. Unemployment has tripled in four months, industrial production is down 10% from last summer, and the farm sector continues depressed. In terms of overall magnitudes, however, the levels of economic activity are not cause for pessimism. There are indications that the decline has been halted for the time being at least. Some readjustment in the tempo of economic activity is only natural and should be expected as we move from a booming wartime and defense economy to a lower level of defense spending and, it is hoped, a more stable economy.

Grover W. Ensley

We are confident that any serious recession can be avoided, and that an increase in private demand can take place in the interests of stability and growth if the available tools are used in a timely and courageous manner.

It is inevitable, however, that developments of recent months should give rise once again to discussions of the role of the Federal Government in aiding to prevent a major economic depression. The memory of the Great Depression of the 1930's and of our fears, even though unfounded, that serious economic setbacks might follow World War II, are still so fresh in our minds that misgivings and concern are only natural when evidences of contraction, however moderate, begin to appear.

Against this background, the committee arranging this meeting tonight has wisely phrased the subject assigned to me in terms of the role which the Federal Government can play in "aiding to prevent a major economic depression." Note that we shall be talking primarily about serious depression, not the type of rolling readjustments or minor ups-and-downs or special regional problems which are inherent in the workings of a dynamic and competitive economy.

Dedicated as we are in this country to the ideals of the free enterprise system, we should at the outset recognize that the Federal Government cannot guarantee employment for everyone. Neither can it guarantee that an economic depression can never overtake us. Such guarantees are devices which we prefer to leave to totalitarian governments. Only such governments are willing to promise everything and to sacrifice individual liberty for a slave state in which their people are not only assured of a job but are assigned to work by coercion.

Responsibility Accepted by the Government

It is, therefore, important that we refresh our memories as to what our Federal Government has accepted as its responsibility under the Employment Act of 1946.

The Congress has declared that it is the continuing policy and responsibility of the Federal Government to coordinate and use all of its own plans and resources to foster and promote conditions which will afford useful employment opportunities for those able, willing and seeking to work. It is expressly stated that these efforts to promote maximum employment, production and purchasing power are to be carried out with the assistance and cooperation of industry, agriculture, labor, State and local governments, and in a manner calculated to foster and promote free competitive enterprise.

The role of the Federal Government is positive—and I want to emphasize this point. It is not a matter of passive resistance to contractions and depressions. It is charged with creating an economic climate conducive to dynamic economic growth and an ever-increasing level of living.

Keeping in mind this "positive" rather than "negative" approach, we turn to a consideration of the measures which the Federal Government can use in aiding the nation achieve its goals of economic stability and growth and in preventing depression.

In this connection I would not want to push the medical analogy too far, but I believe we may well discuss the Federal Government's role under two headings: first, the tools of diagnosis, and second, the tools or measures available for treatment—preventative and curative.

Early Diagnosis

Now, in the field of medicine, we hear a lot about the virtue of early diagnosis in the treatment of human frailties and complaints. In the economic sphere we have some assurance on this score. The Federal Government is active on two fronts so that we may have the benefit of an early understanding of what is going on in the economy. The Employment Act establishes within the Office of the President a council and staff of professional economists, qualified to analyze economic developments and to formulate and recommend national economic policy. This means that we have at the highest level in the Executive Branch a group of specialists with the express duty of diagnosing the economic health of the nation.

In addition to this Council, the Congress has a Joint Committee whose express function it is to make a continuing study of the economic situation and to advise the Congress as to the appropriate economic policy. Representative Wolcott of the

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*An address by Dr. Ensley at a joint Dinner Meeting of the Michigan Association of Certified Public Accountants, the Robert Morris Associates, and the American Society of Women Accountants, Detroit, Mich., April 6, 1954.

The State of Trade and Industry

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

Industrial production for the country as a whole in the period ended on Wednesday of last week was somewhat lower than the level of the preceding week and continued to be about 10% below the year-ago mark.

In contrast, unemployment again declined as both new and continued claims held below the preceding week. Recalls, it was noted, were more frequent.

According to the Secretary of Labor, the nation's job situation was getting better, though employment and weekly earnings continued to drop. The Secretary's optimism was attributed chiefly to a decrease of 80,000 in the number of insured unemployed during March and a decline of 20,000 in the average number of new claims for unemployment compensation that month. The reason for this improvement, Mr. Mitchell reported, is that employment is now declining more slowly in non-durable goods production, though the drop is continuing at a fast pace in durable good manufacturing and allied fields.

Signs of an upturn in employment in the farm machinery field were indicated by the current statement of International Harvester Co., which disclosed it had recalled 6,700 laid-off workers during the last four months. Its labor force now totals 56,611, highest since last August. Aided by demand for new products, Harvester's February sales were the largest since last July.

Deere & Co. stated it had called back 1,150 workers idled late last year at Moline, Ill., though some did not return. It's now employing 7,600 there, only slightly less than a year ago. J. I. Case Co. reported its employment at Racine, Wis., had reached the low point around the close of 1953 and is now on the upgrade. Borg-Warner, parts maker, predicted its 1954 sales to farm equipment producers would top last year's.

In the steel industry the next 60 days will probably go a long way toward shaping the course of the steel market in 1954, according to "The Iron Age," national metalworking weekly, declares this week.

The first quarter decline has been arrested and in recent weeks producers have even been able to work off much of their semi-finished stocks while holding the ingot rate steady. This means the market is in fair balance at a little over two-thirds of rated capacity, it states.

A check of the market by "The Iron Age" this week again shows no significant improvement in business, and none in immediate prospect. Some signs that the steel market climate is improving, it adds, are indications that overall economic activity is leveling off, although on a lower plane than peak 1953; inventory corrections are slowly becoming less of a factor even though they will continue a potent influence for some time and that labor negotiations in the next two months, with obvious possibility of strike, are expected to convert a lot of steel users to a buying mood. The union, it continues, is aware of possible market stiffening and is holding off final demands in the hope its economic hand might be strengthened.

These positive factors make it a good bet that the next significant move in the steel market will be upward, but probably moderate; with no sharp improvement in demand.

A check by "The Iron Age" of individual steel consuming industries reveals a luke-warm auto demand has been a bitter disappointment to some, failing to add steam to the market. Although this is steel's No. 1 customer, its stimulating influence was probably overrated early this year and signs indicate little chance that auto firms will be able to increase their buying power substantially.

The appliance business is blowing hot and cold, with little overall direction. Air conditioning, radio, and TV will probably beat early estimates. But some usually good customers are still virtually out of the market for steel.

Farm equipment business is surprisingly good and tinplate demand improved, partly on the basis of strike-hedge buying. Railroad demand is weak and carbuilders' requirements are still sinking but demand for structural products continues good, this trade authority observes.

March domestic new car sales soared 23% over February to a five-month high of 493,000 units, "Ward's Automotive Reports," stated on Friday of last week.

The March total was only 5% under March last year (521,000) and was secured by a seven-month peak selling rate of 20,000 cars daily in the month's closing 10-day period despite severe weather in strategic buying areas, it reports.

But because the industry's factory production was geared closely to the selling pace, domestic dealer inventories of new cars remained at the 650,000-unit level on March 31, pointed out this trade authority.

The statistical agency added: With new car production again aimed at a 500,000-unit volume for April, only a further sales increase will pare stocks. Car sales in 1953, "Ward's" noted, were marked by consecutive monthly increases until the year's peak of 549,000 was established during May.

March used car sales at new car dealers, according to "Ward's" reached the best point since last July, forcing stocks 7% below the all-time peak set last November. Accordingly, the reporting service said, such inventories are below a month's supply for the first time since last August and stand as a bright spot in the automobile market picture.

Reflecting optimism sparked by this sales upswing, car and truck production in United States plants edged over the previous high for the year to 146,142 units the past week. The volume was 5.4% above the preceding week but under the 164,932 totaled in the same week last year, "Ward's" observed.

Construction outlays in the first quarter of 1954 rose to $7,300,000,000, an increase of $100,000,000 over a year ago and a new high for the period. After allowing for seasonal factors, the

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What Investment Prospects In Booming Turkey?

By A. WILFRED MAY

In on-the-spot survey, Mr. May weighs effects of new investor-favoring foreign investment law. Cites remaining qualms, including domestic political exigencies, and country's current difficult exchange problems. Details Hilton Hotel operation and interim results. Warns investor must adapt to local conditions. Concludes crux of his decision about coming in is tied to liberality of return and early recouping of his capital.

ISTANBUL, Turkey — Turkey offers a particularly important area for timely discussion of the pros and cons of foreign investment. The great potential investor interest from abroad is stimulated importantly by her new liberalizing investment law coupled with the worldwide enthusiasm about Turkey's economic as well as political future, notably by German and American interests (an associate of the Randall Commission is personally convinced that her opportunities for development and profit are akin to Canada's of a decade ago).

A. Wilfred May

The Turkish economic leaders' hunger for foreign capital is sharpened by the dire need for home production to back the fattening of its consumption economy. Over the longer view, the increasing need for private investment stems from her historical pattern of agriculture and industrial revolutions.

So on January last the Parliament passed major liberalizing legislation affording liquidity and further general protection to foreign capital. Administered by the Ministry of Economy and Commerce, and the Council of Ministers, the new law guarantees to foreigners the right to transfer without limit all profits earned subsequent to Dec. 31, 1953 as well as principal. Such withdrawals are to be made into the investor's currency of origin at the official rate. In the case of loans, all principal and interest when due may similarly be withdrawn and transferred without limit.

Importantly too, there is included an overall provision conferring the same general rights and privileges to foreign as is afforded to domestic investment.

The preceding liberalizing investment statute, passed Aug. 1, 1951, had generally limited foreigners' withdrawal of earnings to an annual maximum of 10% of capital in the same currency which had been imported; and permitted the withdrawal of principal only after a wait of three to five years.

What Protection?

What is the import of such protective legislation—in this and other areas? The query is importantly bound up not only with the hard-boiled relationship between prospective entrepreneur and the borrowing country, but also with the overall problems of aid, convertibility, and trade (as outlined in a speech currently delivered before the United Nations Economic and Social Council by Preston Hotchkis, the United States representative).

The most important qualms seem to stem from the possibility, following everpresent domestic political demagoguery, of subsequent change in the law. This would presumably be facilitated, in contrast to the legislative situation in Greece, by the law's non-incorporation in the Constitution.

Some Qualms

Discussing these points with me in Ankara, Prime Minister Menderes pointed out that even a Constitutional regulation can be amended (in this country by a two-thirds vote); and that since his country's law is a contractual arrangement, it is made effective by binding moral and political forces. But, coincidentally, right after this interview, the writer learned that only during the previous week—with the statute's ink barely dry—it had already been bitterly attacked by the out-of-power Republicans (the Left-er of the two Parties), who although professing the furtherance of free enterprise, are out to cut down the investor's preferred position. Always, attack on foreign capital supplies the choicest of domestic political targets!

There are additional important factors on the reverse side of the medal of pro-Turkish investment enthusiasm. For instance, it must not be overlooked that fundamentally the Government still plays a dominant role in the economy of the country. Although since 1950 the Government has relaxed its policy of statism and has been sincerely looking for foreign capital for development particularly in some special fields, its attitude is still cautious. This timidity is no doubt due in large part to experiences during the period of the Ottoman Empire when the Turkish economy fell under foreign domination via a series of capitulations and concessions.

There are other economic characteristics inherent in the economy which may temper the improved legal climates and the indisputable highly favorable long-term prospects. Included among such negative influences are: the relatively limited natural resources in the entire sector open to private investment; the gross inadequacy of power and transportation facilities; the smallness of the Turkish home market for manufactured goods; the continuing deficiencies in financial and marketing facilities; the comparatively low returns on private investments; bureaucratic mistrust of business; shortage of manpower skills; the pre-empting by the government of the development of the country's natural resources and major industries (with losses made up by subsidy); albeit that economic development by private enterprise is being encouraged to the fullest possible extent. As of the present, the country's vast variety of mineral resources, including chrome, copper, manganese and coal, are largely owned and under development by the government, and seemingly not readily open to private foreign investors. The other resources not controlled by the Government have been of only limited interest to foreign investors.

The Country's Difficulties

Also worrying the surveyer of investment possibilities are the country's current fiscal difficulties, stemming from recent living beyond its means and mistaking standard of living rises (with frigidaires and motor cars) for increase in real wealth. A debtor to EPU to the tune of $150 million (some of it past due since November 1952), Turkey has been finding it increasingly necessary to restrict the withdrawal of their

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Municipal Finance Problems in 1954

By JOSEPH F. CLARK*
Executive Director,
Municipal Finance Officers Association

Calling attention to the Federal policy to limit financial aid to states and local governments, Mr. Clark cautions municipalities to prepare for diminishing revenues from Federal sources. Calls upon investment houses to increase financial counsel to municipalities, so that the heavy volume of forthcoming debt obligations will be absorbed by private and institutional investors. Reveals municipal projects underway during the next five years will require $5 billion, more than half of which sum must come from general obligation bonds. Points out current deterrent factors in municipal improvement.

Early in March 1953, local government officials greeted with enthusiasm the creation, by act of Congress, of the Federal Commission on Intergovernmental Relations. That act produced a body for which local officials had been contending for some years. The voices of village, town and city officials had been crying in a wilderness of more and more expansion of Federal powers that impinged on the traditional role of activities of local government. Many looked with dismay at the modern trend believing that expansion of the Federal establishment portended more and more centralization of activities both political and economic, which in the stream of history of government in other countries had been tried, found wanting and not favorable for the ultimate best welfare of the people. Local government officials were not too happy with the organizational setup of the new Commission when it was discovered that local government had been awarded one place—the voice of one mayor as a member among 25. Such award was somewhat disappointing in view of the wide acclaim with which the Commission was first received. Indeed, some students of government and persons in high political places called it the instrument to write a Magna Carta for local governments.

Commission Roster Impressive

The roster of members of the new Commission is impressive. It is quite true that several members of the new Commission have, in bygone years, served local governments in elective or appointive capacities, and it is widely recognized that such persons certainly obtained a measure of sympathetic understanding of the views and the problems, including financial, confronting local governments, particularly in recently modern times. Local officials now await with much interest, withal some trepidation, to learn what the recommendations of the Commission will be in the wilderness and complexity of modern inter-governmental affairs. Their interest naturally is in what shall be proposed that will affect local governments and their people for better or for worse. Organizationally some progress seems to have been made.

The Commission, whose life has been extended to March 1, 1955, recently appointed a committee to consider Federal payments-in-lieu-of-taxes and shared revenues, and to study the problems resulting from removal of Federally acquired property from local tax rolls and situations in which the Federal and state governments share in the use of receipts and revenues from Federally owned land and other joint operations. The members of this group include three members of the Commission: Undersecretary of the Treasury Marion B. Folsom; Senator Hubert H. Humphrey of Minnesota; and Charles Henderson, former Mayor of Youngstown, Ohio. In addition there are seven public members consisting of two city mayors, one state legislator, one tax attorney, one representing a national tax association, one banker and one representing a state tax study group.

It was also recently announced that a study committee on Federal-local relations will be created by the Commission. The work load of this new Commission is heavy and important and it may be expected its studies of special phases of intergovernmental relations will expand. The uproar that occurred when the Commission's first chairman became separated from its activities in February 1954 will fade away in time. In the meantime the Commission, and its committees, can get on with the purposes and studies for which it was established. This is as it should be.

The modern trend toward centralization of governmental operations might continue if the Commission recommends such continuation. On the other hand, recommendation for discontinuance of encroachments by Federal establishments upon the traditional position, powers and responsibilities of state and local governments very likely may have an influential bearing on future policy and a turning away from more and more centralized authority at the Federal level. Consequently the Commission is confronted with having to make ultimate recommendations which should be based on discovered facts. Nonetheless it is recognized that political philosophies can possibly becloud and snarl the issues.

Local Responsibility

Pleas of local officials in recent years for a return of local responsibilities to the city and town halls and courthouses also carried with them certain responsibilities implying sufficient local financial resources, taxing and other abilities to supply services to people living in local areas. The pleas arose largely because people in the nation's villages, towns and cities seem to have grown rather weary of "faraway" governmental influence and they wanted less Federal fingering of local activities. At the same time it was expected that the Federal treasury should help, more or less, by continuing its financial support of local activities of various kinds. The situation became a bit analogous to the adage that "one cannot have both the penny and the cake." The degree of the wishes and wants was usually measured by the political complexion of the voters and the financial resources of local governments.

This is not intended to be a discussion for or against Federal aids. But, while many communities may have fervently wished for freedom from Federal assistance with all its irritating strings attached, all were not, and still are not, economically and financially able to do the things necessary to be done without resorting to federal financial aids. If the modern trend toward centralized government is now arrested as a matter of political philosophy, then local officials should be prepared to also meet a reversal in the present pattern of federal financial aids with the probability of diminished local revenues from a federal source. So far as so-called state aids, subventions and shared taxes are concerned, these have become overworked and sometimes misunderstood terms.

Local as well as state officials, political economists and thoughtful other citizens clearly recognize that the several states necessarily must act as agents to administer the collection and fair distribution to their local governments and districts of some revenues, for example, gasoline, corporate franchise, tobacco, and various other taxes. It is becoming more clearly recognized too that it is mainly local people, the inhabitants of a state, who pay the monies that in due course are allocated and returned in some measure to local governmental units. So far this year there is little appearance that major changes will occur in the present pattern of use of state aids, shared taxes and subventions.

In recent speeches of responsible Federal officials one may detect a move toward change in policy away from Federal financial aids to states, local governments and their sub-divisions. The significance of a change in policy should not be underrated by local officials especially because any change will mean their communities will have to be prepared to finance some services which the Great White Father in Washington has been financing or aiding in financing, for two decades and longer. This then is one local financial problem in the offing which must be dealt with now and in the foreseeable future.

However much expansion and centralization of government may be regarded as undesirable and to be avoided, nonetheless the tremendous proficient technological changes that have occurred in industry, transportation and communications since the turn of the century have profoundly contributed toward a changed way of American life, including governmental operation and administration at all levels. Local officials are indeed in the middle of hard problems to solve—both politically and economically. The solving of the problems entails a thoughtful approach with open minds to reexamine and determine what is best for the general welfare of the people in our local communities. There is no pat answer and solving of the current heavy question of intergovernmental relations as between Federal, state and local levels. It will require much effort, time, talent, patience, and earnest study on the part of those in our state and national legislatures and those comprising local governing bodies.

Government Expenditures

The Economic Report of the President (page 67) presented to Congress on Jan. 28, 1954, said this:

"The small prospective decline in Federal expenditures will probably be counteracted in large part by a rise in State and local purchases, which in 1954 reached a level of slightly over $25 billion. In recent years the annual increase in these expenditures has been close to $2 billion, and there is still an immense backlog of demand for schools, highways, hospitals, and sewer, water and other facilities. Public pressure for the expansion and improvement of local facilities is mounting and it seems entirely reasonable to expect that State and local expenditures will continue to increase.

"The financial situation of State and local governments is favorable to a continued rise in their expenditures. State and local receipts have increased by roughly $2 billion a year in the postwar period, with the total rising from $13.2 billion in 1946 to almost $28 billion in 1953. Preliminary estimates indicate that receipts and expenditures were in balance during 1953. Further evidence of the financial strength of State and local governments is the size of their cash and U. S. security holdings, which reached $23 billion in mid-1953. Some part of this amount is committed, but the uncommitted portion is undoubtedly large relative to current expenditures.

"Despite the strong financial position of State and local governments, the principal source of funds for additional capital outlays will have to be from borrowing. The increase in State and local debt in the postwar period has been substantial. However, the cost of carrying this debt has not changed appreciably relative to total state and local expenditures. Interest charges have increased moderately since 1943, but the requirements on account of interest and debt retirement are not likely to be an important impediment to bond financing in the near future."

This statement is a prelude to the present Administration's plans and hopes that State and local governments may devote some of their financial resources to acquiring essential public works and thereby fill the gap that will take place as Federal spending for materials in a defense economy diminishes. This is spelled out in Chapter 10 of the Economic Report in which it is stated:

". . . this Report noted the opportunity to devote our productive potentialities increasingly to peaceful purposes. . . . It should mean also the use of some governmental revenues, as they may be released from military and foreign aid programs or generated by economic growth, to help build the nation's physical stock of public capital. . . . In our country, the major part of public works programs has been and should continue to be the responsibility of the States and their municipal subdivisions."

In commenting on the role of public works in the national economy it is stated in the same report:

"A strong economy requires that the national estate of soil and water resources be conserved. It is no less important that schools and welfare institutions, highways and airports, rivers and harbors, parks and recreational areas, and other needed public facilities be enlarged and improved concomitantly with the increase of population, private wealth, and incomes. Indeed, failure to augment our public assets may check the growth of private wealth, as the failure of the present street, highway, and parking systems to meet the needs of 55 million motor vehicles is now threatening to do.

"A growing economy brings with it new needs for buildings and engineering projects that clearly lie outside the realm of private enterprise. Many of these needs—for example, for schools—should be met as they emerge. However, a considerable number of public projects are, by their very nature, more or less postponable.

". . . A considerable amount of advance preparation of drawings and specifications has been completed by Federal, State and local governments. . . . If it should become necessary, outlays for Federal public works could be stepped up by one-half or more within a year. State and local outlays, which are now the highest on record, might be expanded to a similar extent, *if financial arrangements were adequate.*"

The report continues:

"It goes without saying that an effective public works program must meet genuine public needs and thus earn the endorsement of the community . . . must be compatible with private construction activities, with which competition for resources should be kept to a practical minimum. Furthermore, just as public activity should supplement and encourage private, so also should Federal projects supplement those of States and municipalities. Yet *a public works program must be capable of administration without centralizing the operations of government; State and local governments should carry their full share of responsibilities.*" (Italics by Mr. Clark.)

There we have it. Thoughtful local officials as well as underwriters and marketers of municipal obligations can probably accept what has been quoted as broad Federal Administration policy. Local officials can and should promptly begin to reexamine and review the plans of their own communities for the acquisition, maintenance and operation of public improvements, if they and their municipal colleagues are not already doing so. Evidently we are in an era of economic change, not necessarily an adverse change, but a change that implies that present financial policy and administrative procedures and methods at local governmental levels

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*From an address by Mr. Clark at the Municipal Forum of the Eighteenth Annual Conference of the Central States Group, Investment Bankers Association of America, Chicago, Ill., April 1, 1954.

Plastic Tooling

By Dr. ROBERT S. ARIES*
R. S. Aries & Associates, Consulting Chemical Engineers and Economists, New York City
President, Aries Laboratories, Inc.

Dr. Aries reveals extensive use of plastics for industrial tooling applications which may revolutionize the automotive, aircraft and foundry industry. Stresses lowering of production costs due to use of plastic tools, which, he estimates, will save American industry $30 million in 1954.

The use of plastic materials in industrial tooling applications has received a tremendous impetus during the past year. New developments in resins and manufacturing methods have been developed and many successful plastic tools built at very substantial time and cost savings. Aircraft, automotive, and foundry applications have developed at a steadily increasing pace. The metal forming industries have greatly enlarged their range of applications. The use of plastic tools for fixtures, jigs, etc. in general manufacturing operations is just starting. In view of the very great potential of this new tooling technique, it behooves tool engineers to familiarize themselves with the properites of the materials concerned, the necessary manufacturing methods, and the savings obtainable.


Dr. Robert S. Aries

Proper application of plastics for tooling application can result in substantial cost reductions both as regards production costs and time. Other equally important, yet not immediately obvious advantages, include the following:

(1) Weight reductions; consequently lower handling costs.

(2) Greater wear resistance; longer tool life results.

(3) Use of unskilled labor can produce excellent results by virtue of process simplicity—consequently lower labor costs to start with.

(4) Lower tool room equipment investment; material reduction can be effected because of process simplicity.

Present experience has shown that the advantages of plastic tooling over conventional manufacturing processes increase directly with the size and complexity of the part to be produced. Maximum benefits are realized with large intricately shaped and contoured tools as grinding, polishing, etc., are eliminated. The end result of these additional advantages is an added substantial cost reduction not immediately apparent to the uninitiated.

Materials in Plastic Tools

Materials for plastic tool production include phenolic, polyester and epoxy resins. Tools can be made by using either simple casting or laminating techniques. The latter method utilizes usually glass reinforcement in the form of cloth. Layers of cloth are impregnated with a resin and laid on the contours to be reproduced. Enough layers are placed onto the model to obtain the desired tool thickness. Laminated assemblies can be cured both at room temperature or in an oven depending upon the specific formulation employed.

Both cast and laminated tools of high quality can be produced with a minimum of equipment. Direct work against plaster, wood, etc., is possible without any difficulties. Major equipment requirements include a scale, mixing pots and stirrers, and if possible, an oven. Ordinary shop tools are sufficient for processing work.

Generally speaking laminated tools exhibit superior strength properties to cast materials. Compressive strengths up to 40,000 psi can be obtained with glass reinforced plastic tools compared to 20,000 psi for castings. Impact strength of laminated tools is also greatly superior to castings. Production time for cast plastic tools is, however, substantialy less than that required for laminated tools.

Phenolic Resins

Phenolic resins have been used quite extensively for tool applications. Their inherent disadvantages include brittleness, low impact strength and comparatively poor hardness. Polyesters were next investigated and offer distinct advantages over phenolics. The most promising plastics for tooling applications are the epoxies. Barely 18 months have elapsed since their initial introduction in this field, yet in 1953 over 300,000 pounds of epoxies have been sold for tooling use. Epoxies offer important advantages both in cast and laminated forms. These include better mechanical strength properties, high temperature resistance, dimensional stability, easy workability as well as superior impact strength and quick repair. Properties can be very widely varied to meet specific manufacturing problems. There is no doubt that epoxies offer the most advantages to the tool engineer for general plastic tooling applications.

The "Aritemp" type of modified epoxy resins made by Aries Laboratories, have found applications both in cast form and as laminates. They are considerably stronger than their phenolic or polyester counterparts and have a heat resistance up to 350°F. Aritemp resins have a flexural strength of over 20,000 psi cast and 60,000 psi in a glass cloth laminate. Increased dimensional stability and higher thermal conductivity is achieved by the use of fillers such as aluminum.

Plastics in Industrial Tooling Work

Applications for plastics in industrial tooling work include the following:

(1) **Metal Forming:** stretch and draw dies, drop hammers, stamping dies, etc.

(2) **Industrial Fixtures:** Checking, spotting, drilling, routing fixtures, drill jigs, holding fixtures.

(3) **Plastic Laminating Molds and Forming Dies:** Vacuum forming and other fabrication techniques for thermoplasts. Polyester and epoxy glass laminate moldings. Casting molds for slush casting vinyls and other similar applications.

(4) **Foundry Uses:** Core boxes, foundry patterns, match plates.

(5) **Masters and Duplicators:** Masters, models, etc. Keller patterns, pantagraph dies, etc.

The savings which can be obtained by use of plastic tools rather than conventional manufacturing methods can best be shown by reference to actual examples in various fields.

(A) **Foundry Core Box:** Total of 51,750 cores produced from one all plastic core box by Airesearch Mfg. Co., Los Angeles, California. Still in use—Rezolin 8,000 tool plastic phenolic used, core boxes made from previous material dentalstone cost $16.00/100 to make—each good for 1500 cores; total cost of dentalstone core boxes would be $550 (material only). Cost of plastic approximately $50.00 (material only)—no highly skilled labor required. Total saving per single core box estimated at four thousand dollars thus far. Over fifty core boxes used in foundry daily.

(B) **Aircraft:** Lockheed Corp. is a good example—started tooling project in 1942—88 men now work in plastic tool shop making 50-60% of all forming tools used by company in plastics; they used 197,000 pounds of Rezolin Toolplastic (phenolic) in two years replacing more than 1,800,000 pounds of Kirksite at a saving of over $800,000 in material cost alone (density difference). Total savings estimated (including labor) at over $4,000,000 in two years.

Typical examples. Stretch dies (15 x 4 ft.) plastic weight 3,500 pounds; Kirksite metal 35,000 pounds. Saving over $10,000 in materials alone per die.

Draw dies—over 135 made in two years at a 40-50% labor saving aside from material costs—one air duct draw die alone saved 800 hours of labor.

Plastic laminating dies F94B rodomes:

Meehanite die: $20,480 first one; $9,920 second one.

Plastic die: $6,197 first one; $1,237 second one.

(C) **Automotive:** Metal forming dies f ex-Dodge truck wood side panels over 20,000 pieces made to date, Size 30 in. x 60 in. x 3 in. deep. Tooling time in metal, 84 days—in plastic 21 days. Cost saving 50%, labor saving 40%, spotting in time saving 70%.

Jigs and fixtures—epoxies used by Chrysler—saving of over $150,000 estimated in direct costs only in first months of plastic tool shop operations.

Future of the Plastic Tooling Industry

In 1954 approximately 15% of all forming tooling will be done in plastic, compared to 5% in 1953. The consumption of plastics can be broken down as follows:

	1954 esti.	1956 esti.
	(Pounds)	
Epoxies	2,000,000	8,000,000
Phenolics	3,000,000	4,000,000
Other	----	2,000,000
Total	5,000,000	14,000,000

Savings

The average savings in labor and material amount to two thirds of metal tools. Thus it may be estimated that in 1954 about $30,000,000 may be saved by the use of plastic tools, as compared to metal and the saving will be $70,000,000 in 1956.

The use of epoxy resins for tooling is another example of the development of a new plastic to fit well a particular mechanical application, resulting in expansion and cost savings in both.

*An address by Dr. Aries at the Annual Tool Engineers Meeting sponsored by the American Society of Tool Engineers, New York City, April 6, 1954.

With Leo Schoenbrun

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Loren D. Saltzman has been added to the staff of Leo Schoenbrun, 1385 Westwood Boulevard. Mr. Saltzman was previously with Gross, Rogers, Barbour, Smith & Co.

Joins Gordon Graves Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — John G. Pasco has joined the staff of Gordon Graves & Co., Pan American Bank Building.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy—Analysis of companies which should benefit from this new phase of industry—William L. Burton & Co., 25 Broad Street, New York 4, N. Y.

Banks and Trust Companies of New York—Comparative figures on the leading companies for the quarter ended March 31, 1954—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Canadian Bank Stocks—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Capital vs. Consumer Goods Stocks—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Food Chains — Study — Winfield & Co., Russ Building, San Francisco 4, Calif.

Foreign Investments in Japanese Stock Market—In the current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

Insurance Stock Analyzer—Comparative tabulation of insurance stocks—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.

New York City Bank Stocks—Comparison and analysis for first quarter of 1954—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Onions—Study of market for this crop—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Plastics With a Backbone—Analysis of companies in the reinforced plastics industry—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Pulp Industry in Japan—Analysis in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are analyses of **the Electric Wire and Cable Industry and Spinning Industry** and discussions of **Investment Trusts in Japanese Economy** and current foreign trade.

* * *

American Marietta Co.—Memorandum—Edward D. Jones & Co., 300 North Fourth Street, St. Louis 2, Mo.

American Marietta Company—Report—Hubert J. Soher, Russ Building, San Francisco 4, Calif.

American Marietta Company — Study — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is an analysis of **Central Indiana Gas.**

American Radiator & Standard Sanitary Corp.—Memorandum—Walston & Co., 35 Wall Street, New York 5, N. Y.

Automatic Firing Corp.—Analysis—Graham, Ross & Company, Inc., 82 Beaver Street, New York 5, N. Y.

A[illegible]n Equipment Corporation—Analysis—Winslow, Douglas & McEvoy, 120 Broadway, New York 5, N. Y.

California Oregon Power Company—Report—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif. Also available are reports on **Perfection Stove Company, Portland General Electric Company, Security First National Bank of Los Angeles** and **Tennessee Gas Transmission Company.**

Clinchfield Coal Co.—Analysis—Sheridan Bogan Paul & Co., Inc., 1510 Chestnut Street, Philadelphia 2, Pa.

Continental Oil Company—1953 annual report—Continental Oil Company, 30 Rockefeller Plaza, New York 20, N. Y.

General Beverages, Inc. — Memorandum — Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

International Utilities Corp.—Memorandum—McDonnell & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **Merchants Fire Assurance Corp. of New York, Montgomery Ward & Co.,** and **National Union Fire Insurance Company.**

G. R. Kinney Co., Inc.—Annual report—G. R. Kinney Co., Inc., 2 Park Avenue, New York 16, N. Y.

Mount Vernon-Woodberry Mills, Inc. — Bulletin — Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on **Robertshaw-Fulton Controls Company.**

Nekoosa-Edwards Paper Company — Analysis — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Public Service Co. of New Hampshire—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is an analysis of **Lehman Corporation.**

Reaction Motors, Inc.—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

Reeves-Ely Laboratories, Inc.—Analysis—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Riverside Cement Company—Analysis—Ask for report T-31—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Tecumseh Products Co. — Memorandum — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of April 8, 1954 is as follows:

Team:	Points:
Serlen (Capt.), Rogers, Gold, Krumholz, Gersten	33½
Kaiser (Capt.), Hunt, Werkmeister, Swenson, Ghegan	33½
Donadio (Capt.), Craig, Gronick, Bies, Demaye	33
Leone (Capt.), Nieman, Gannon, Tisch, Greenberg	32½
Burian (Capt.), Gavin, Clemence, Montanye, Whiting	32
Manson (Capt.), Jacobs, Topol, Weissman, H. Frankel	31½
Bean (Capt.), Bass, Valentine, Eiger, Bradley	28
Klein (Capt.), Fredericks, Murphy, Weseman, Mewing	28
Krisam (Capt.), Pollack, Cohen, Smith, Strauss, Define	25
Growney (Capt.), Corby, Siegel, Voccolli, Lienhardt	23½
Hunter (Capt.), Brown, Alexander, Farrell, Barker	18
Meyer (Capt.), M. Meyer, Frankel, Wechsler, King	11½

200 Point Club

Tom Greenberg ---- 221
Mike Growney ---- 213

5 Point Club

Art Burian

Bowling Dinner May 6, 1954 Contact Sidney Jacobs for Your Reservations!

Our Reporter's Report

The underwriting fraternity currently is suffering from a case that might be summed up as double trouble. Institutional investors, on the one hand, are still adamant in their stand against prevailing yields on new issues. And, it appears, one thing leads to another.

The upshot of the overall situation can be seen in the action of several more syndicates this week in "throwing in the sponge" so to speak, on recent undertakings.

After a fortnight of coasting along in hope of a break in the ramparts of institutional portfolio managers, bankers have given up the ghost and turned a number of pent-up issues free to find their own levels.

Reluctance of insurance companies and pension fund buyers to look with favor upon current offerings below a given yield level is only part of the story.

Refusal of these elements to give way on their pricing ideas has created a second, and perhaps, quite as important a problem for underwriters and dealers. This takes the form of a "squeeze" on the latter's capital.

As unsold inventories have accumulated it develops that investment bankers and their distributors find themselves increasingly handicapped when it comes to setting up groups to bid for new material.

This, it is noted, is especially true in the case of Stock Exchange member firms which participate in underwritings, and which must abide by the hard and fast rules of the exchange as regards working capital position.

Freeing Up Capital

Caught between an unresponsive market and the need to free up capital for other ventures, groups sponsoring three new offerings turned these undertakings loose since the start of the week.

Largest of these was Detroit Edison Co.'s $40,000,000 of 2⅞s brought out three weeks ago at a price of 99¼ to yield 2.91%. When put on the free market this issue settled back quickly to 97¾ bid and 97⅞ asked.

Laclede Gas Co.'s $10,000,000 of new bonds offered initially at 101.827 to yield 3.25% dipped upon release of the syndicate to 100¼ bid while Pacific Power & Light's $8,000,000 of 3⅜s brought out at 101.80 for a 3.28 yield settled back to 100¾ bid and 101 asked.

Meanwhile it was reported that inquiry for Southern Indiana Gas & Electric's $8,000,000 of 3⅛s priced for reoffering at 102.461 to yield 3%, this week, indicated demand for that issue was brisk.

Speaking of Competition

Competition evidently is keen not only for new issues, but for prospective buyers as well these days. This week two groups bidding on new issues made quick readjustments in the reoffering prices even before the subscription books were opened.

The group which took down $15,000,000 of National Fuel Gas Co., 3¼% debentures moved initially to set a reoffering price that would have yielded 3.09%, but reconsidered almost immediately to provide a 3.10% yield.

The group which took down $18,000,000 of Central Power & Light Co.'s bonds as 3⅛s proceeded to take identical action. This issue was priced originally to yield 3.09% and then repriced before offering, on a 3.10% basis.

Getting Helping Hand

Although the Federal Reserve Board's action in sanctioning a reduction in central bank rediscount rates to 1½% had been pretty well discounted, this confirmation of commitment to an easy money policy had its effect marketwise.

Some of those issues freed earlier by sponsoring groups began to look up and prospective buyers developed a bit more interest in certain new issues coming on the market.

A couple of issues carrying double A ratings and offered to yield 3% were snapped up quickly or at least inquiry indicated they would be. This was true of Ohio Edison Co.'s $20,000,000 of new 30-year 3⅛s, priced at 102.461 and likewise of Southern Indiana Gas & Electric's $8,000,000 of first mortgage bonds, priced identically at 102.461 for a similar yield.

Leo Babich Pres. of Hill Richards Co.

LOS ANGELES, Calif.—Leo B. Babich has been elected President of Hill Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Babich is succeeding Murray Ward who is retiring from the firm and will make his headquarters in the Los Angeles office. Formerly he he was with the firm in San Francisco.

Leo B. Babich

Robert C. Hill has been elected a Vice-President of Hill Richards & Co.

Green Appointed by Stein Bros. Boyce

LOUISVILLE, Ky. — Kenneth Green has been appointed Manager of the trading department of Stein Bros. & Boyce, Starks Building. He has been associated with them for the last several years.

Sutro Co. Adds to Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert C. Parks has been added to the staff of Sutro & Co., Van Nuys Building.

Joins Schwabacher & Co.

(Special to The Financial Chronicle)

OAKLAND, Calif.—Gorham B. Knowles has been added to the staff of Schwabacher & Co., Central Bank Building. He was formerly with Sutro & Co.

Agriculture as a Resource To the Chemical Industry

By W. C. DUTTON*
Asst. Director, Agricultural Chemical Research, The Dow Chemical Company

Mr. Dutton points out Agriculture not only supplies raw products for chemical industry but also offers a large market for manufactured and prepared chemicals. Gives statistical data regarding agricultural production, and traces movement of products from chemical industry to agriculture. Describes use of agricultural chemicals, and discusses some of the responsibilities which must be faced in the agricultural chemical field. Foresees growing use of chemicals in agriculture.

There is a strong interdependence between Agriculture and the Chemical Industry with Agriculture supplying some raw products from which chemicals are extracted or made and being very dependent on the Chemical Industry for many products necessary for efficient and profitable operation and, on the other hand, Industry, because of Agriculture's need for modern chemicals, is able to market an immense volume of chemicals for agricultural use. These chemicals are used for many purposes such as the control of insects and diseases affecting plants and animals, for the control of undesirable vegetation in crops and elsewhere, for the regulation of plant growth, for plant food and as supplements to animal foods and others. This situation is country-wide but is especially significant for the West North-Central group of seven states, on which this discussion is centered, because of the high productivity of the farms in much of the area.


W. C. Dutton

I do not wish to confuse you with a lot of statistics on production but I would like to present a few figures to indicate to you the importance of this area as a unit and in relation to the United States as a whole. Production information for nine crops for 1951 for the United States and for these seven states shows why this district is so important agriculturally.

TABLE I

Production of Nine Crops
Production (millions)

Product & Unit	U. S.	Seven States	% of U. S. Total
Flaxseed (bushel)	34	31	93
Rye (bushel)	21	14	67
Oats (bushel)	1,110	672	53
Barley (bushel)	255	118	46
Wheat (bushel)	987	437	45
Corn (bushel)	2,941	1,174	39
Hay (ton)	108	36	33
Soybeans (bushel)	280	85	30
Potatoes (bushel)	306	37	12

Data from Agricultural Statistics, 1952.

A mere glance at a set of scatter-dot maps of the United States for these crops would give you an excellent mental picture of the productivity of the area.

Data for the animal industry for the West North-Central group also presents some interesting facts with regard to the importance of the area. The crops produced make it a natural for animal production and feeding and some concise data on this are here presented. Information on cattle, calves, hogs, and pigs on the farm and cattle and lambs shipped in (presumably for finishing for market) is shown in Table II.

TABLE II

Animals on Farms and Shipped in For Feeding

Product	7 States (millions)	% of U.S.
Cattle and calves on farms	26.0	29
Cattle shipped in	3.7	43
Hogs and pigs on farms	46.4	72
Lambs shipped in	2.6	46

Data from Agricultural Statistics, 1952.

*An address by Mr. Dutton before the American Chemical Society, Kansas City, Mo., March 24, 1954.

The number of animals shown to be on farms is almost beyond comprehension and the cattle and lambs shipped in for finishing give a good idea of where much of the beef and lambs we eat comes from. Another facet of the animal industry is shown in Table III in which data on the poultry industry are presented.

TABLE III

Income From Poultry and Eggs

Product	Gross Inc. (millions) 7 States	% of U. S.
Turkeys	81.7	23
Chickens (not broilers)	139.2	22
Broilers	42.2	5
Eggs	546.5	23

Data from Agricultural Statistics, 1952.

These data show the area to be important for turkeys, chickens (not broilers) and eggs, but it obviously is not a large factor in the production of broilers.

Dairy products from the district are an important factor in its economy and information on this is presented in Table IV.

TABLE IV

Gross Income From Dairy Products and Butter Shipped to Six Major Markets

Product	7 States (millions)	% of U. S.
Dairy prods. (gross inc.-$)	817	16
Butter shipped (pounds)	296	64

Data from Agricultural Statistics, 1952.

This information on production of and returns from some of the more important products of the area should give a fairly good idea of the potential of agriculture as a source of supply to and a market for the chemical industry and industry in general. With this picture in mind let us move on a consideration of Agriculture as a Resource to the Chemical Industry. This will be considered as a two way proposition with movement from Agriculture to Industry and from Industry to Agriculture and it may be indicated at this point that the movement from industry to Agriculture is much larger than in the other direction.

Use of Farm Products by Industry. Agricultural products are not, at this time, extensively utilized by what is usually characterized as the "chemical industry" but they are used extensively my those segments of industry that have to do with the production of the necessities of life, such as the food and textile industries and those who produce pulp, vegetable oils, leather, fermented beverages, etc. An excellent review [3] of the use of agricultural products by industry in general was recently presented on a symposium similar to this.

Chemicals Made from Agricultural Products. One of the most widely publicized chemicals obtained from an agricultural product is chlorophyll from alfalfa. Furfural, an important chemical, is produced from corn cobs and oat hulls. About 400,000 tons of corn cobs were used for furfural production in 1952.[3] Monosodium glutamate is made from the processing wastes of sugar production from sugar beets. It is also produced from wheat. Vegetable oils are used widely in the paint and varnish industry and for making detergents and animal fats are used in detergents, plastics and plasticizers. Epoxidized fats for plastics are available form several producers in tank cars lots.[5] Fats and oils from animal and vegetable sources will soon be used for making emulsifiers for use by the food industry. Ethyl alcohol is made from corn and 45 million bushels along with an indefinite amount of grain sorghum were used for alcohol production in 1950 [3] but I have no information on how much of the alcohol from this source was for industrial use. Research on the production of saccharic acid from corn sugar [4] is well developed and many other such uses of agricultural products for the production of chemicals are undoubtedly under study and eventually may be of commercial importance.

Movement from Chemical Industry to Agriculture. Agriculture as a resource to the chemical industry, as previously indicated, is interpreted for the purposes of this discussion to include the agricultural market as a resource. This market for the West North-Central group of states is large because of the immense acreage of corps grown, and the large number of animals produced or fed and crops and animals both have insect, disease, weed and other problems that can be controlled or alleviated by the use of chemicals. Plant food in the form of chemical fertilizers and chemical supplements to animal foods are also important. It will be difficult to discuss the chemicals for agriculture with specific reference to their use in the West North-Central area. This will be done in some instances but most of the discussion will be for agriculture in general and the various groups of chemicals, according to use, will be taken up individually.

Fertilizers. The fertilizer industry in the United States is in itself an immense operation. The fertilizer consumption for the country in a recent year was 18.6 million tons and 1.3 million tons were used in the West North-Central area. About 70 products are used in making these fertilizers. Many of them are natural products, others are by-products or waste from various industries but definite products of the chemical industry are becoming more important and this is especially true of nitrogenous materials such as ammonia, urea, ammonium nitrate and sulfate and calcium cyanamide. Agriculture, in the consumption of this immense tonnage of fertilizers, is a contributor to the welfare of not only the fertilizer industry but to labor and transportation.

Agricultural Chemicals. The group of chemicals to be discussed more fully are currently referred to by many as "Agricultural Chemicals." This term cannot be very sharply defined but usually includes insecticides, fungicides, soil fumigants, grain fumigants and protectants, space fumigants, defoliants and desiccants, herbicides and food supplements, including vitamins, minerals, antibiotics, amino acids and others. The list of materials that could come under this classification of agricultural chemicals 25 years ago was very small and they were mostly insecticides and fungicides based on sulphur, copper, arsenic, petroleum and a few products of plant origin. The list today is long and is composed largely of complex, organic compounds, most of which have come into use within the last 10 years. They will be discussed in groups under the general headings indicated above.

Insecticides. The significance of insect damage is normally based on injury or loss that is obvious or readily seen, but a recent approach to the subject [2] indicates that we often fail to recognize and evaluate hidden or obscure losses or attribute them to drought, too much rain, low fertility or other cause. Recognition of these obscure injuries along with the obvious ones indicates that insect damage to crops may run as high as 20% or more. We had, prior of 1945, a few well recognized insecticides that preformed well against some insects, moderately well against others and not at all for the control of a third group. The introduction of DDT less than 10 years ago opened new approaches to insect control and the use of DDT along with numerous more recent introductions has brought about revolutionary changes in the situation so that it is now possible to get results that were not within the realm of possibility 10 years ago. Information just published [2] shows a regular increase in the production of several farm products which is believed to be the result, largely, of the use of the new insecticides.

These new materials include dinitrophenols, chlorinated hydrocarbons, organic phosphates and many others. Some of the phosphates are systemic in their action. The dinitros include orthocresol, cyclohexylphenol and sec. butylphenol. Among the chlorinated hydrocarbons are DDT, methoxychlor, Perthane, Rhothane, BHC, lindane, chlordane, dieldrin, aldrin, endrin, heptach-

Continued on page 38

3 Jacobs, P. B. and Milner, R. J., Agricultural Resources of the East North-Central States for the Chemical Industry. Presented at Symposium on North Central States, American Chemical Society, Chicago, Ill., September 6-11, 1953.

4 Mehltretter, C. L. and Rist, C. E., Saccharic and Oxalic Acids by the Nitric Acid Oxidation of Dextrose. J. Agriculture and Food Chemistry, Vol. I, No. 12, p. 779, Sept. 2, 1953.

5 Milner, R. J., Recent Progress at BAIC Regional Research Laboratories. National Farm Chemurgic Council, 18th Annual Conference, March, 1953.

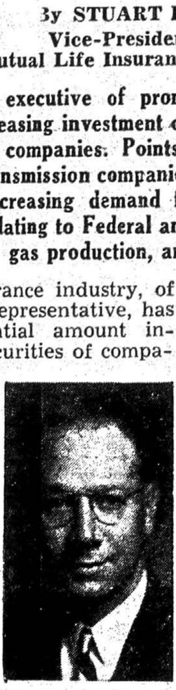
2 Decker, G. C., The Role of Insects in the Economic Future of Man. Agricultural Chemicals, February, 1954.

Life Companies' Interest In Gas Industry Securities

By STUART F. SILLOWAY*
Vice-President for Finance
The Mutual Life Insurance Company of New York

Investment executive of prominent life insurance company reveals increasing investment of these organizations in the securities of gas companies. Points out these investments comprise both gas transmission companies and gas distribution concerns. Foresees increasing demand for natural gas, and discusses problems relating to Federal and local regulation of gas prices, gas production, and gas distribution.

The life insurance industry, of which I am a representative, has a very substantial amount invested in the securities of companies in the gas industry, the major portion of which has been invested in the past 10 years. I believe that only a microscopic portion of this amount of other peoples' money administered by life insurance companies would have been invested in the gas industry if it were still dependent upon the old manufacturing process, and the increase which has occurred would have been replaced by a decrease of a size that would have been determined only by the ability of the companies to find someone to take their remaining holdings off their hands.



Stuart F. Silloway

In short then, the present lofty investment status of the gas industry is due mainly to the discovery and development of large reserves of natural gas and the vision of the pipe line companies in making this gas available to persons residing hundreds of miles away as well as nearby. With the construction of the pipe lines, the pace of discovery, the development of gas reserves, and the utilization of gas produced in association with oil were all greatly stepped up. The widespread use of gas as fuel was, of course, greatly aided by improvements in the character and quality of steel pipe, the development of the present-day compressor station, the strengthening and modernization of distribution systems, and the wise conservation practices of state regulatory authorities in taking measures against the flaring of gas.

I wish I could tell you the amount of money invested by life insurance companies in the various phases of the gas industry. Such a breakdown is not available but figures for my own company reveal that as of Dec. 31, 1953 we had $133,914,312 invested in the securities of gas transmission companies as compared with $3,750,497 on Dec. 31, 1943; and $45,519,847 invested in securities of gas distribution companies as compared with $1,992,742 so invested at Dec. 31, 1943. You gentlemen have a better understanding than I of the fact that some companies are engaged in both transmission and distribution and that a breakdown such as that which I have just given you is a matter of interpretation and therefore may not be precise in accordance with your own thinking. This investment in the transmission and distribution phase of your industry takes the form of mortgage bonds, debentures, preferred stocks, and a small amount of common stock. In addition to these investments, my company has $44,423,000 invested in gas producing properties where the gas is contracted for sale and delivery to a transmission line. As of Dec. 31, 1943, we had nothing invested in this field. Our total investment in the industry therefore is approximately $224,000,000 as compared with $5,743,249 ten years ago. We feel that our investments in gas producing properties, which provide funds for active producers or for the purchase of proven reserves, are extremely helpful in aiding the discovery and development of gas. From this picture of our operations, you can see that we are interested in the entire keyboard of gas industry activities.

*An address before the Workshop Conference of Independent Natural Gas Association of America, New Orleans, La., March 29, 1954.

Your Program Committee has entitled this session "A Public Information Workshop." I would like to take time to indulge in a pleasant statistical and word picture concerning the great growth of the gas industry, the romantic and glamorous development of certain aspects of it and, in general, to pay tribute to the great character, vision, skill, and ingenuity of some of your leaders; but the word "workshop" suggests that I get down to business.

Gas Transmission Companies

Since the bulk of life insurance funds invested in the gas industry is lodged with transmission companies let me give you some of the considerations that are before us when we are studying a prospective investment in a gas transmission company. I have already made it clear to you that our interest in your industry exists solely because of the availability of natural gas. Therefore, one of the first things that we consider is the quantity and deliverability of reserves available to the transmission company. This reserve study should be prepared by a firm of consulting geologists and engineers who are entirely independent of the pipe line company and whose assignment basically is to examine all of the available data in respect of the reservoirs contracted to the company in order that they may make a report backed by their skill, knowledge, integrity, and reputation that there is an adequate quantity of gas to supply the line at least for the period of years during which the senior security being considered is to be outstanding and that the deliverability is such that annual demand requirements can be met during that period.

Having obtained professional assurance that a supply of gas will be available to the line in future years, it then becomes necessary to be certain that the reserve position does not deteriorate in the future by virtue of some unforeseen contingency or development that was not present when the initial appraisal was made. This is accomplished by imposing upon the company in the indenture a requirement that a similar reserve study be made by a firm of independent geologists at various future dates, usually every two or three years, with the proviso that if such a study indicates that the reserves then dedicated to the line are insufficient to extinguish the indebtedness during its normal life accelerated amortization will be provided to accomplish the full pay-back before exhaustion of reserves.

Having determined the availability of gas and the prices to be paid for it, we then look at the other end of the pipe line and examine the contractual arrangements which the pipe line company has for the sale of its throughput. If these contracts are for long periods of time with other pipe line companies, distribution companies or industrial companies with a top credit rating, and contain a requirement that the purchaser must take or pay for a very substantial percentage of deliverability of the line, the basic ingredients for a satisfactory investment are present. In fact, using this information augmented by very carefully projected estimates of operating income and expense which have been prepared by the company with the assistance of independent engineers, predicated upon the granting of rates by the Federal Power Commission sufficient to provide at least a 6% return on the rate base, life insurance companies have provided as much as 75% of the cost of constructing new pipe lines.

Under requirements of the law, a life insurance company domiciled in New York cannot invest in a new pipe line unless secured by a mortgage on all physical property. After the line has been in operation for five years and has met certain earnings standards, investments may be made in unsecured debt and in preferred stock, and after a 10-year record of earnings and dividend payments has been established, investments may be made in common stocks. In the case of each contemplated investment, a new reserve study of a type similar to that described must be analyzed as the key to the final decision.

Distribution Companies

In respect of distribution companies, a somewhat different set of investment considerations is involved. The vast majority of these companies started as manufactured gas units and are now engaged in selling either straight natural gas or mixed gas. Some of the former companies are still maintaining the manufactured gas plants for standby and for peak shaving purposes, and most of the latter have long since passed the point in demand where they could meet their requirements if anything happened to their supply of natural gas. Therefore, again the question of gas supply is most important and an examination of the company's purchase contracts with the pipe line and the pipe line company's reserve position is a basic consideration.

I believe that life insurance companies have invested funds in all of the various securities which the well-established distribution companies have issued where gas purchase contracts and the over-all financial picture are satisfactory. Considerable difference of opinion exists concerning the extent to which the senior securities of distribution companies should be completely amortized during the life of initial gas purchase contracts, and considerable financing has been done by some companies which would provide for leaving a substantial portion of the issue unamortized, which would appear to suggest that either additional gas reserves can be contracted at an economic price or that some other source of supply could be obtained, possibly a return to manufacturing. I think that with each passing year, with the substantial increase in the use of gas, further doubt is cast upon the wisdom of this assumption. In fact, I think a real question exists for the industry, the Federal Power Commission, and other regulatory bodies as to whether substantial increases in the number of gas customers are to be permitted unless further substantial reserves are established.

Since World War II, residential gas customers have increased by 28.5% while sales have increased 115.9%.

	Residential Customers (000's)	Total Customers (000's)	Sales (Therms) (000,000)
1946 ----	19,157	20,637	26,379
1947 ----	19,835	21,417	29,882
1948 ----	20,562	22,246	33,885
1949 ----	21,264	23,036	35,790
1950 ----	22,146	24,001	42,090
1951 ----	23,042	24,953	48,222
1952 ----	23,852	25,850	52,704
1953 ----	24,619	26,703	56,948
% incr. -	28.5	29.4	115.9

During the same period, substantial quantities of gas have been discovered, but because of the steady increase in demand, the number of years' supply, based on the relation of annual withdrawals to year-end reserves, as published by the Reserve Committee of the American Petroleum Institute and the American Gas Association, has declined each year with the exception of 1949 when there was only a very slight increase. These figures show that in 1946 reserves were 32.5 times annual production as compared with 23.0 for 1953. On the basis of estimates just released, withdrawals in 1953 were 9.2 trillion, a figure which exceeded net additions to reserves each year from 1947-1952 inclusive. It is significant that in the postwar years net additions to reserves exceeded 1953 withdrawals in only two years—1946 and 1953.

(Trillions of cubic feet)

	Reserves beginning of year	Additions	Withdrawals	Net additions to reserves	Reserves at end of year	Year's supply based on withdrawal
1946-----	147.8	17.7	4.9	12.8	160.6	32.5
1947-----	160.6	10.9	5.6	5.3	165.9	29.5
1948-----	165.9	14.0	6.0	8.0	173.9	28.9
1949-----	173.9	12.8	6.2	6.6	180.4	29.1
1950-----	180.4	12.1	6.9	5.2	185.6	26.9
1951-----	185.6	16.2	8.0	8.2	193.8	24.2
1952-----	193.8	14.5	8.6	5.9	199.7	23.2
1953-----	199.7	20.9	9.2	11.7	211.4	23.0

An Increasing Demand for Gas

I have no doubt that the demand for gas will increase substantially in the future largely through the addition of residential customers, even though the price of gas continues to rise. I also have no doubt that the reserves of natural gas will increase substantially. In fact, there is considerable evidence to support the belief that merely deeper horizons in known present fields will add perhaps as much as 25% to the reserve picture, and there is considerable evidence that substantial reserves will be added from off-shore locations. Even the acceptance of these factors, however, does not eliminate the problem that may one day exist for the gas consumer if this trend is allowed to continue.

Regulatory commissions have already recognized this problem by prohibiting additional house heating customers by distribution companies in certain localities until additional pipe line gas could be contracted. Obviously, the pipe line company wishes to do more business, as who doesn't in this wonderful and dynamic economy of ours, so it endeavors to purchase more gas from producers and to obtain Federal Power Commission approval for expansion of its capacity to deliver the gas to the consumer.

Now the largest portion of our gas reserves in this country has been found by searchers for oil. Undoubtedly a large amount will be found in this way in the future, but whether or not it is found in this manner, it is certain that it will be found at greater expense. This means that if an adequate and dependable supply of gas is to be available in the future it will cost more to the pipe line company, more to the distributing company, and more to the consumer despite the efforts of pipe line companies to develop underground storage. The principal public relations job which the gas industry has is to beam information to the consumer that will enable him to understand this problem and be willing to accept a higher price for gas.

I am basically sympathetic to the problems of the Federal Power Commission and other regulatory bodies. Theirs is a responsibility that requires great wisdom, patience, and foresight. This last requires that they be eternally alert to the implications of the trend of the relationship between the supply of and use of natural gas, and be prepared to grant reasonable and equitable rate increases where necessary to enable transmission and distribution companies to pay a price for gas which will encourage the taking of risks incident to its finding.

The primary responsibility for telling this story to the consumer has rested with the distributor since the direct contact is his. However, the three segments of the industry — production, pipe line, and distribution — by the very nature of the business are interdependent. What happens to one affects the others. Therefore, it is necessary for the distributor in explaining the problems of the industry to the consumer to tell the whole story as production, pipe lines, and distribution are affected, but this means a bigger and costlier information job than the distributor previously faced. Therefore, it is my opinion that there should be a two-way street of operation in carrying out this job for in this operation the producer and the pipe liner have a stake in assisting the distributor in telling the gas industry story. I also can see where the trade associations and the Federal Power Commission could join in this necessary coordinated industry information effort.

It seems to me that the fundamental present-day concepts of the gas business must be understood by the consumer. No longer is the major portion of his supply represented by flare gas. Instead, he is being supplied by gas withdrawn from large reservoirs with substantial annual depletion, the replacement of which requires deep drilling in known areas or geological and geophysical work which must precede exploratory drilling in other areas. The very nature of the oil and gas business in our competitive economy suggests that the more attractive locations are subjected to the drill stem first and the less likely are put aside for more intensive work at a later stage of development. This means more work, and more work means greater cost, and the resultant product must bear a price that will provide the incentive.

The consumer must understand these facts and then must decide if he wants to have a continuous dependable supply of gas for a long future period in an amount sufficient to enable him and his neighbors and friends to increase their use of this wonderful commodity.

It should also be made clear to the consumer that gas is still very cheap and that increases can be made in the price of gas at the wellhead without raising the price of gas to him by an amount that would make it more expensive than competing fuels.

Natural gas in Louisiana has recently been contracted at 20 cents per MCF for sale to a pipe line that will be constructed if Federal Power Commission approval is obtained. The gas would be delivered to a distribution company about 1,200 miles away at 39.5 cents. Gas for house heating purposes is sold by that company for about 73 cents, at which price it compares with fuel oil at about 8.7 cents per gallon and coal at $14 per ton. Actually, fuel oil costs 13 cents per gallon and coal $21 per ton in that area. I assume that increases in the price of gas must be made to the consumers in that locality if the distribution company is to earn a fair return on its rate base, and it must do so if it is to be able to attract capital in competition with other businesses to finance the plant additions necessary to meet expanding needs. It is only if the consumers in a given territory conclude that they do not need or want more gas and will be content with a dwindling supply and have the concurrence of the appropriate state regulatory body and the Federal Power Commission that they can ignore the trends to which I have referred.

Price Regulation Problem

There is at present one unresolved question upon the wise solution of which the future of the entire industry may depend. This is, of course, whether the producers of gas are to be subject to regulation by the Federal Power Commission as to the prices they receive for the gas they produce. It is my opinion that such regulation would be extremely difficult and expensive to achieve and disadvantageous in end result and that our present system should continue. State regulatory bodies, particularly the Texas Railroad Commission, have on the whole done a statesmanlike job with respect to regulating both gas and oil production. It is evident that the prime need for the entire gas industry is for not only continued but increased exploration and developmental activity. Anything that puts a restraint on such activity will not only adversely affect the entire gas industry but will, within a short period, affect the available supply of gas to consumers and will, in my opinion, eventually substantially increase the amount which consumers must pay.

I am confident that everyone familiar with the gas industry and certainly everyone in this room agrees that the volume of natural gas withdrawn and sold will continue to increase and that additional supplies of gas will and must be found.

It follows axiomatically that all phases of the industry will continue to require large sums of capital. The industry enjoys a satisfactory credit rating and investors have been and are now willing to place their funds in its approved projects. They will not do so in the future with the same degree of readiness or will do so only with considerably greater expense to the industry if the volume of gas reserves continues to decline in relation to withdrawals. Moreover, additional expansion will be difficult to achieve if consumers and the various regulatory authorities who act for them are reluctant to recognize the need for a return on the money invested in this dynamic and growing business which will enable it to attract capital in competition with many other promising and growing businesses in our very wonderful capitalistic economy.

G. J. Mitchell Co. Opens

WASHINGTON, D. C.—G. J. Mitchell, Jr. Co. has been formed with offices at 1420 New York Avenue, N. W., to engage in a securities business. George J. Mitchell, Jr. is a principal of the firm.

With Rutland Company

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — R. C. Williams, Jr. has become affiliated with the Rutland Company. He was formerly with Gross, Rogers, Barbour, Smith & Co. and Marache Sims & Co.

Joins Waddell & Reed

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Ernest K. H. Wong has become associated with Waddell & Reed, Inc. Mr. Wong was previously with Francis I. du Pont & Co. and Henry F. Swift & Co.

Free Trade Must Not Hamper Our Chemical Industry

By HENRY B. du PONT*
Vice-President, E. I. du Pont de Nemours & Company

Executive of leading American chemical concern, discussing the world situation and its problems, stresses need of self-sufficiency in our industrial capacity, and warns of danger of trading freedom for free trade. Points out value of an adequate and well balanced chemical industry in building up national security, and cites adverse situation that would face U. S., if we became dependent on foreign chemical products. Concludes "nothing must be allowed to impede development of those industries that are essential to national security."

I have been outside the continental limits of the United States for some weeks. In fact, I think you might even say I have been out of this world because, for days on end, I saw no newspapers or magazines and didn't bother to tune the radio to news broadcasts. I returned, however, with what seemed to me to be an entirely fresh viewpoint. The perspective with which I look at things today seems a little different than it did a few weeks back, which is perhaps as good a reason as any to justify a periodic stay with the routine tasks.

Henry B. du Pont

After reading the papers and bringing myself up to date, I find myself looking closely at this great country of ours and the problems it faces in these eventful times. A number of matters appear to have developed rapidly during the time I was away. Perhaps the one that interests me greatly is the debate over the place of the United States in the world of nations and the extent to which American industrial activity might be affected by national policy on matters of foreign trade.

It is a critical and a crucial issue abroad as well as at home. In Europe, we find people looking hopefully toward this side of the Atlantic. There seems to be, on every side, a recognition of our country's vital part in preserving the peace of the world. There are, of course, some Europeans who think of our contribution in selfish terms, but the more responsible, on the other hand, know as well as we do how much depends on the United States maintaining its position of leadership.

Leadership, however, involves heavy responsibilities. It means to us, too, that we should analyze our situation carefully to see that our footing is certain and sound. Perhaps the need for critical self-examination is in itself one of the strongest responsibilities of leadership, for no one is ever so far ahead that he can take anything entirely for granted.

So, I have found myself asking time and again: "Why are we leaders?" What are the qualities that have given the United States its dominant place in the world of today?

Obviously, our position results most importantly from our industrial strength, from our capacity to produce. For the real answer, however, we must look deeper, for we have no monopoly on the means of production or on the inventive brains, the resourcefulness or other human attributes of a people. But what we do have is something of which we find very little in Europe today—a devotion and a dedication to individual opportunity as assured by our Constitution and as taken as a matter of national right by all Americans. Our more obvious signs of strength—our industrial potential, our advanced technology, our "wealth" as it is sometimes called, are all simply the fruits of the more basic and fundamental seeds — the seeds of human freedom and personal initiative.

So our place of leadership, so important to our own and to Western Europe's survival, depends upon keeping alive those qualities that are responsible for our strength. It should be perfectly clear to everyone in Europe, as it should be to everyone here, that anything that weakens the United States threatens the security of all the free world.

U. S. Strongest Link in Free World

So, the strength of the free world can be no greater than the strength of the United States. Keeping that strength at its maximum is a matter of vital necessity to everyone.

There was a time, I suppose, when international relationships could be left exclusively to the diplomats and to governmental authority. In the complex and tightly integrated world of today, however, it seems that there is no segment of society that is not, in some way or another, affected by world problems. This is certainly true of our business and industrial community, for some of the great public issues of the times revolve around the question of foreign competition in the American market. Here we have a problem which is a matter of personal concern, in one way or another, to everyone in business, whether as an employee, a stockholder, or a business manager.

A great debate is being waged on the whole question of our commercial relationships with our allies in Europe and with the rest of the world. The argument is advanced that the economy can best be served by "trade, not aid" and that reducing our tariff barriers would accomplish this. This has a persuasive air, of course, for obviously trade is a desirable process and aid is not. The same might be said for other expressions that have become popular if not too clear. We hear in Europe a lot about the so-called "dollar gap," which may or may not be a valid justification for a helping hand. I am sure there are many of us here today who have experienced a dollar gap in our own personal lives from time to time.

I have no intention, however, of debating the specific issues of this tariff controversy. It is a difficult subject at best, and I have little inclination to add to the confusion. The trouble with the tariff question, it seems to me, is largely one of optics. We all see it differently, depending on the location of our seat and the condition of our eyes. The near-sighted tend to see it in terms of narrow self-interest: the far-sighted tend to miss the fine print in front of their eyes in favor of the long view up the valley.

What we need actually is to look at this scene through the finest quality of bi-focal lenses which will permit us to examine both world needs and the immediate requirements at home. There is little that can be gained by taking an extreme position on either side. Extremities simply muddy up the waters in between, making it difficult to resolve or even to identify the area of dispute.

The big issue, it seems to me, is not one of tariffs, high, medium, or low, but of what this country must do to insure its security and prosperity in a troubled world. Conceding that we have a stake in the prosperity of other nations, other nations have an even stronger need for our prosperity here. Our position in the present military situation is obvious, and we can fulfill our responsibilities only when we are economically strong. Commercially, it must be remembered our purchases of European commodities rise and fall with our domestic economy. We are a good customer only when our consumer purchasing power is high.

Unfortunately, this essential fact has been largely overlooked in the black-and-white type of tariff discussion. I think it is an unfortunate omission, for its importance should be clear. In 1760, David Hume, the economist, said: "I pray for flourishing commerce in Germany, Italy, France, and all of Europe." I think today that everyone in "Germany, Italy, France, and all of Europe" might well have prayers for flourishing commerce in the United States, for in its absence, their own difficulties would be increased greatly.

But the more significant fact that must be borne in mind in consideration of the tariff question is the question of security. Much of the discussion of trade between nations seems to presume that no aggressor will ever again arise to break the peace of the world. This assumption is comforting, but hardly realistic, because unfortunately, aggressors do appear, and we must stand ready to defend ourselves. And, if we are to defend ourselves, we must keep our arsenal intact. Therefore, whatever is decided about tariff policy must include provision for the security of the nation—industrial and military.

It seems to me that the history of the City of Richmond provides a grim, but telling, example of what happens when a nation at war is cut off from the sources of essential materials and has little capacity of its own to fill the gap. The Confederate States in 1860 had as unbalanced an economy as existed anywhere in the world, exchanging its agricultural products for goods manufactured elsewhere. The South's traditional devotion to free trade had been emphasized in the Confederate Constitution, but there was a large body of feeling that retarding the development of industry would be disastrous. The events of the war proved that those who had advocated a domestic industry were right.

Theoretically, it had seemed like good economics to exchange cotton and tobacco for manufactured goods from abroad. Actually, dependence on foreign sources applied a tighter squeeze than any which Southern troops ever encountered in the field. And, as always, it was the strategic materials that proved most scarce. After the blockade became effective, for example, history shows that quinine which cost less than $3.00 an ounce in the Bahamas cost $1,200 an ounce in Richmond and was hard to get at any price. Shoes, blankets, and ordnance were always in short supply and could be obtained only at a heavy drain upon the treasury. Essential civilian articles were even more difficult and higher priced. A bag of refined salt that cost $1.00 in 1860 brought $115 in 1865. Nails increased 9,000% in price over the same period; hides and leather goods 5,000%, and candles 50 times.

Would any of us like to contemplate, today, a situation in which virtually all of the drugs and medicinals like aspirin, Novocain, the sulfas and other vital articles would have to come in from overseas to meet both peacetime and wartime emergencies. The fact is that, as late as 1915, that was the case, for Germany was the principal source of these as well as many other organic chemicals up until the time of World War I. There was virtually no manufacturing capacity and little technical experience available in the entire United States. It was not until necessity led this country toward establishment of its own organic chemicals industry in 1916 that we even began to be self-sufficient in drugs, dyes, rubber chemicals, and other needs.

After World War I, when this new American industry was just getting on its feet, German manufacture resumed. The German producers could produce at lower cost, to be sure, for their wage structure even then was far lower than ours. The American manufacturers were able to keep going only because President Wilson and the Congress believed their survival to be in the national interest. It granted enough tariff protection to keep the foreign makers from underselling American firms and putting them out of the business.

Let's suppose that this country had taken the position then that, if the Germans could make organic chemicals cheaper than we could, they should get the preference. The American sources would have withered away. World War II would have caught us without the plants, the facilities, or the technical know-how to produce our own medicinals, dyes, or other organic materials, including such vital military items as picric acid or toluol. Without the nucleus of this technology and trained personnel, we would have lagged far behind in other fields as well. We would have lost the war before it started.

Fortunately, it didn't happen that way. By the time World War II came along, we had a chemical industry second to none. We were able to produce enough for ourselves and for the rest of the free world, for the research programs instituted by the industry had proved highly successful. When rubber supplies were shut off, we were ready to go with a synthetic that made us independent of the Malayan plantations taken over by the Japanese. When silk for parachutes was shut off, we were ready with nylon.

Let me give you just one or two specific examples: In World War I, to get enough toluol for explosives, we had to salvage the drip oils of the gas companies to eke out the meager supply—and the cost was $5 to $6 a gallon. In World War II, we had our own supply and we paid about 30 cents. Or I might mention methanol which is used in making powder as well as it is in anti-freeze and any number of chemical processes. Up to 1925, methanol was made only from the distillation of wood, and this country's entire output was 7,000,000 gallons or so a year. Today, even on peacetime schedules, we use over 150,000,000 gallons a year.

I cite these instances to show that we have created an industry in this country that is a most essential element in the national security. And I doubt if we would have it today if, in the early '20's, we had succumbed to the theory that a slightly lower price, based on much lower wage rates, should prevail without regard to national needs.

Everyone knows that modern warfare is as dependent upon technology as it is upon human performance, and that a corps of scientifically trained people is as vital as a corps of artillery or an Air Force wing. What is not so obvious, perhaps, is that both technology and technical manpower are dependent upon industrial opportunities. This is particularly true of the chemical field. In the days before World War I, when we made few of our own chemicals, American chemists were relatively rare, and chemists with advanced degrees were scarcer than winning baseball pitchers. Germany led the world in scientific education and research, and if you wanted to study advanced chemistry or medicine, you went to Vienna or Berlin. In 1919, there were only 54 doctor's degrees in chemistry awarded by American universities. Today, thanks to a flourishing industry, this has increased to better than 600 a year.

Yet even this is not enough, for we must keep ahead of technological developments in other parts of the world. Other countries too are devoting much attention to their manpower resources. From all accounts, the Soviet Union is conducting a large-scale program in the physical sciences and egineering, and some observers believe that the number of graduates in Russian technical schools is greater than or own.

Just what methods the Soviets use to fill their requirements in this field I don't know. Under our own system, in the simplest of terms, we can do it only by offering our young men opportunities for profitable employment. Only an expanding, flourishing industry, with the prospects of stable jobs and steady advancement, can provide the incentive, for we are not dealing with statistics here, but with the futures of our own children. We need only to look at Great Britain's shackled economy to see how closely technical manpower is linked with industrial expansion. Britain is producing only a third the number of engineers, in proportion to population, as is the United States.

American industry today is the principal reservoir of this indispensable pool of talent. In production technology, as distinct from the purely scientific, it stands alone. In the field of research, there are, of course, many very able people in the universities who form the hard core of scientific thought. Important research is also being done by or financed by various government bodies. But the American industrial establishment has become so research-conscious in recent years that it is now the largest employer of scientific personnel. The professional research staffs of private industrial laboratories now number over 70,000, and it is estimated will exceed 135,000 in 1956. The research budget of American industry now approaches $1 billion a year. It is here that our technology develops and our scientists find their chance to meet new challenges. It should be obvious that this vital element in our national strength would be seriously injured by anything which diminishes our own industrial opportunities.

The tariff controversy is, as I have said, a complicated subject with considerable ground for debate as to both principles and terms. But one point is simple and clear: nothing must be allowed to handicap or impede the development of those industries which are essential to the national security and the national defense.

No American manufacturer can contend that the tariff should be employed to protect inefficiency or disproportionate prices. It is only on those products where wage rates are a major factor in the cost or where the material has a strategic importance that some degree of protection is necessary. To imperil our position through the plea of lower costs of the foreign producer is a folly

*An address by Mr. du Pont before the Annual Meeting of the Virginia State Chamber of Commerce, Richmond, Va., April 8, 1954.

with the threat of a tragic aftermath.

If we follow the lure of cheap wages to its most ridiculous lengths, we should by all means buy our heavy armament, our ammunition, and even our atomic weapons from the Russians whose prices, if they should reflect the wages paid their workers, are surely the lowest we could find.

National security must not be auctioned to the lowest bidder. There are no bargains in the safeguarding of our freedom. I have no quarrel with the objective of helping our allies in any way consistent with our own interests. It is a reasonable, a humanitarian, and a business-like purpose. But to deplete our own resources and weaken our own defenses is no answer, either to our allies or ourselves. I am confident that our people will not let this happen.

Our industrial strength must be sufficiently robust to meet the challenge of any enemy. Unless it is, we may reach that sorry day when there are no ramparts left to watch and none of us on hand to watch them. I am a poor hand at slogans, but, if we are going to have one, I would like to have something else to put alongside of "Trade — Not Aid." Perhaps "Liberty—Not Slavery," or "Hope —Not Despair," or, most of all, "Life—Not Death."

West North Central States Area Attractive For Chemical Industry

P. D. Strickler, C. V. Holland and Henry E. Wessel discuss the West North Central States as area for expansion and development in a symposium of the Division of Chemical Marketing and Economics at the 125th Annual Meeting of the American Chemical Society.

The Division of Chemical Marketing and Economics of the American Chemical Society on March 24 held a symposium on


C. V. Holland


Henry E. Wessel

the resources of the West North Central States at Kansas City, as a feature of the 125th Annual Meeting of the Society, and among the participants were P. D. Strickler and C. V. Holland of the Spencer Chemical Company, Pittsburgh, Pa., and Henry E. Wessel of the Engineering Economics Section of the Midwest Research Institute, Kansas City, Mo.

In pointing out the resources in the West North Central States as an area for expansion and development of the chemical industry, Messrs. Strickler and Holland stated:

"The natural resources of the West North Central States, including mineral raw materials such as coal, petroleum, natural gas, iron, lead, manganese, zinc, limestone, salt, clays, barite, and sand and gravel are sufficient to be eminently attractive to industries, particularly the chemical industry.

"In addition to the raw materials mentioned there are specific cases in which deposits of individual raw materials may attract a strategically located industry. The tripoli deposit and plant for its production in Seneca, Missouri is an excellent example of such special deposits.

"The only limiting material in this area which, of course, is an essential requirement of any industry is the water supply. However, if plants are located strategically and particularly on one of the major rivers or its tributaries there would be no question of the supply of water to meet most any ordinary plant requirement."

Concerning the West North Central States as a market for chemical products, Mr. Wessel stated:

"While this preliminary analysis of the chemical industry in the West North Central States shows a reasonable picture for 11 out of 14 chemical groups, unfortunately it just begins to outline the situation for organics, and miscellaneous chemicals because those groups are composed of widely divergent subgroups. Therefore, within these three categories, the surplus/deficiency value must be further investigated with respect to the individual chemical. This has been done by Riley and Miller, in "Industrial and Engineering Chemistry," Volume 45, page 529, March, 1953, 'Consumption of Inorganic Chemicals' for the Middle Atlantic States. The author of this paper will soon publish on the same subject.

"An example would be the fact that although the inorganic chemical industry shows a net deficiency, there is actually a surplus of ammonia and ammonia compounds manufactured or about to be manufactured in the West North Central States, and there is no doubt that a goodly amount of this manufacture is exported from the area. On the other hand, there is a deficiency of sulphuric acid manufactured within the area.

"Another example of the fact that local industries export to other markets is that the plastics-producing industry shows only a small deficiency in the area, due to the fact that there is a large manufacture of cellophane. Actually there is a shortage of other plastic materials, and a considerable amount of the cellophane is exported from the area.

"Chemical plants themselves are good customers for other chemical plants. The inter-plant and inter-company shipments of chemicals from one chemical company to another amount to 15 to 20% of all chemicals sales. In this connection, then, it is well to consider the present chemical industry in the West North Central States."

With Carroll, Kirchner

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Wayne B. Hauser has been added to the staff of Carroll, Kirchner & Jaquith, Inc., Patterson Building.

With J. Clayton Flax

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — David J. Manheim has become associated with J. Clayton Flax & Co., 1562 Main Street.

Factors in Determination Of the Business Level

By CLAUDE L. BENNER*
President, Continental American Life Insurance Company
Wilmington, Delaware

Though stressing economic and political complexities that make difficult forecasting of business trends, Mr. Benner finds there is little reason for thinking that we will slide suddenly into a deep depression. Maintains stock market will not collapse as in 1929, and that there are "built-in" stabilizers against severe losses from sudden drops in commodity prices. Discusses question of excessive inventories, and indicates there has been no diminution in consumer liquid assets. Questions value of "cheap money" as sales incentive, and favors reduction in corporation income tax rather than reduced tax on dividends. Concludes consumers' state of mind may be determining factor in extent of business decline.

Irrespective of the way it may be measured or what one may choose to call it, the general level of business activity has slowly been declining since midsummer of last year. To date the total decline has not been very severe. It has, of course, been greater in some lines of business — for instance, durable goods — than in others. Industrial production as measured by the Federal Reserve Board's index of physical production, is currently off about 10% from its mid-year peak of last year, while the gross national product, that is the value of all goods and services bought and sold, is down from its high by about 4%.

Claude L. Benner

While the latest figures show that the down-trend has not been stopped, the rate of decline seems to have materially slowed up during the last few weeks. This is particularly true in the amount of unemployment and to a lesser extent in that of sales. Everyone, accordingly, is now wondering whether or not a spring up-turn in business may not be in the making and whether the major part of the business decline may not be behind us.

There are three distinct possibilities in this connection facing us at this time. The most pessimistic one is that the decline in business will start "snowballing" and will not stop until we eventually reach a deep depression perhaps some time next year. The second is that the modest decline which we have been experiencing since mid-summer of last year will continue throughout the coming summer and perhaps level off in the fall or after the new year at a figure somewhat below present levels. The third possibility, and the one held by the optimists, is the possibility that the decline in business has pretty much run its course and that there will be a modest up-turn in the next month or two to be followed by a real period of expanding business in the fall.

Let me say at the very beginning that it is not my purpose to attempt to tell you which one of these possibilities I think is going to come to pass. Speaking quite honestly and frankly, I do not know how to gather material sufficient in breadth and scope that justifies anyone making a definite statement at this time in regard to how long he thinks the business decline will continue, how far its volume may drop, and when it is likely once more to resume its upward movement. There are so many unknowns in the present situation, the political condition of the whole world is so fluid and uncertain and the state of business so closely intertwined with politics, that it is practically impossible to make any forecast except for very brief periods ahead.

*An address by Mr. Benner at the Eastern Meeting of the Mortgage Bankers Association of America, New York City, April 12, 1954.

No Sudden Slide into a Depression

But in spite of these uncertainties, I do wish to state dogmatically that there is little reason for thinking that we are going to slide suddenly into a deep depression. Severe depressions have never occurred in this country unless they were preceded by periods characterized by excessive over-expansion, wild speculation and a mounting volume of debt in excess of the people's capacity to support. While there may have been during the last few years some little over-expansion in certain lines, there has been no speculation of any serious dimensions and the total volume of debt outstanding is modest in relation to the size of the national income.

One can be certain, therefore, that the stock market is not going to experience a collapse like it did in the fall of 1929, nor are our financial institutions going to fail the way they did in 1932-33. No doubt in certain sectors of our economy debt has increased too rapidly for good economic health and this increase contributed to the inflation that took place since the close of the war. No doubt mortgage debt and consumer and instalment credit stand at pretty high levels. I do not deem them any cause for great worry, however, primarily because a considerable proportion of the mortgage debt, the type which has had the largest expansion during the past decade, is now supported by the Federal Government and, no matter what takes place, a collapse in this field similar to what occurred in the thirties is not likely to happen.

"Built-in Stabilizers"

Another reason for thinking that the present business decline is not going to develop into a severe depression is the degree to which bulwarks against depression have been built into our economy. I refer to what is commonly called "built-in stabilizers" such as guarantees against complete loss of income from unemployment or from severe losses on account of a sudden drop in commodity prices. The extent of this built-in stability in our economy is frequently overlooked.

The Unemployment Compensation System alone is backed up by a trust fund of almost $9 billion. This system provides payments ranging up to 26 weeks for employees that are laid off. It will no doubt provide a material support to retail sales.

The farm price support program likewise exerts a stabilizing influence by discouraging disorderly marketing and slashing of farm commodities. While the taxpayer no doubt has to pay the cost, the farmers' income and consequent purchasing power is supported thereby. Such price collapses on wheat, cotton, and other farm products as occurred in the early thirties will not take place.

Again, the numerous pension programs both private and public, such as social security, will continue to distribute money to beneficiaries and keep up their purchasing power irrespective of the state of business activity. All in all, some economists estimate that the built-in stability in our economy today can break as much as one-half the effect of the fall in income that would occur without it. I think, therefore, one is justified in forecasting that no sudden severe business depression is likely to be with us in the days immediately ahead. But this is all that I want to be dogmatic about this morning.

Background of Business Expansion

Perhaps it will be useful as a background for discussing "The principal factors which will determine the level of business for the rest of the year" to set forth first some of the factors which were mainly responsible for the tremendous business expansion that took place in this country during the past decade and a half. Following this, I want to set forth some of the causes, as I see them, which led the upward movement to stop about June of last year and which have been responsible for the declines since that time. This accomplished, we then perhaps may be justified in drawing some tentative conclusions on the basis of certain assumptions about the business outlook for the rest of the year.

Without attempting to assess their relative importance, I want merely to list the fundamental causes for the phenomenal business expansion which has taken place since 1940. First, of course, were the demands made by the war. The outbreak of hostilities found this country with a huge reservoir of unemployed men and with many plants operating at only partial capacity. Soon these men were put to work. Plant capacity was fully utilized and new factories were built. Women entered industry in large numbers and the hours of labor were lengthened. This inevitably resulted in the tremendous increase in output which enabled us to fight the war, aid our allies and not too severely lower our standard of living.

Financing the war led to a huge increase in the purchasing power of the people. Liquid assets such as cash, bank deposits and war bonds were in ample supply. At the same time, the war created scarcities of almost all kinds of goods. Houses were in short supply, automobiles had not been made for nearly five years and even such consumer goods as clothing was hard to obtain. The people wanted to spend their liquid assets for these scarce goods and almost before the soldiers had been disbanded factories were humming in an attempt to turn them out as fast as possible. Soon a period of postwar inflation and rising prices was with us. It is somewhat amusing now to look back and see that those in authority so misread the signs of the times that they thought a depression was likely and even took such steps to prevent it as to encourage shorter hours of work, higher wages and cheaper credit at the very time when just the opposite of these things was called for.

The basic economic fact of the past 14 years, overriding and overpowering all other economic factors, has been inflation. We have lived in an era of inflation almost continuously since the outbreak of World War II. It appeared, for a short time in 1949, that the principal forces making for inflation had spent the greater part of their force and that costs, the money supply and the price level were

Continued on page 44

From Washington Ahead of the News

By CARLISLE BARGERON

Practically ever since the Eisenhower Administration has been in office, the Secretary of Agriculture, Ezra Taft Benson, has been an object of sympathy; most of it mocked, some of it genuine. A password at political gatherings and among the cocktail set has been that he certainly occupies a hot seat and likely will not be with us long. It is as if he had some incurable ailment and the doctors had told everybody else about it but not him. Members of Congress of his own party have been about as critically outspoken about him as have the Democrats.

Carlisle Bargeron

But the man seems to be emerging in a new light. Not only is he the most stubbornly honest man ever to come to official Washington, he is coming to appear as the most amazing. I wouldn't be surprised if in the end, instead of being ridden out of town on a political rail, he will attain his objective which is to set up a flexible price for farm products instead of the present 90% rigid support.

The political impression of him all these months has been that he was unquestionably genuine and a serious student of the farm problem but that politically he was impractical. At a time when farm prices were falling and the Democrats were making hay by telling the farmers the Republicans were responsible, Benson was doggedly insisting that the high rigid supports had to go, that it was simply economically impossible to maintain them.

This was music to the Democrats' ears; to the Republicans it was political heresy. It would be bad enough to try to effect such changes in an off-year; to attempt them in an election year was unthinkable. He was honest, yes; and to most thinking minds he was right.

But you can't get votes by just being honest, or always, by being right.

However, if I read the signs aright, the feeling of sympathy for the Secretary, or in many instances, the feeling of impatience toward his stubbornness, is beginning to change to one of sheer admiration.

I doubt that there has been enough of such a change in Congress so far for it to pass at this session the sort of agricultural program he wants. But I doubt seriously that Congress will pass one he doesn't want. This means that as of the next crop year the flexible price program which Congress voted a few years ago but the effective date of which has been postponed from time to time because of political timidity, would become law. It will become law unless Congress takes action again to postpone it. I doubt there are enough votes to take this affirmative step. Benson will have come that far.

The question then arises as to what effect this will have upon Republican candidates for Congress who have to have farm votes. There is probably not one who relishes it. But, on the other hand, there seems to be an increasing number who do not fear it.

Benson, himself, has been working the farm country hard trying to sell his ideas. From the open hostility which first greeted him, he has, of late, been getting very attentive audiences. In the first place, it must be a novel experience for a political officeholder to talk frankly with them.

The more vocal of the pressure groups against him seem now not to be so vocal. Benson has walked right into their camps to challenge them. The indications are that his efforts have been far from fruitless.

Undoubtedly, one of the chief reasons for the smoother road he seems to be travelling is that he has finally got rid of about all of the New Dealers in his ramified agency. His reluctance to do this was an understandable weakness. He thought he could convince them of the soundness of his ideas just as he has been trying to do with the farmers. His subordinates, however, could not be convinced. Their job, in fact, was to remain completely unconvinced and to wreck him. Unschooled in the intrigue of Washington, the Secretary couldn't understand this. It took a lot of persuasion on the part of Republican members of Congress for him to see the light.

It would be most difficult for the layman to comprehend the vast industry that is built up around the farm bureaucracy. There are probably more than 30 pressure groups, "national organizations," etc., that have a finger in the agricultural pie. For the most part, their dues paying memberships, the livelihoods of the officers, profitable careers, are dependent upon the multiplicity of confusion, or the bureaucratic maze that has been built up over the past 20 years, and the Department of Agriculture was not an organ of simplicity even before that—there are a lot of influences, aside from the tillers of the soil themselves, who don't want any change in the agricultural existing order. Many industries are not without sin in this respect.

Benson has had to go beyond the "vested interests" and carry his message directly to the farmers. It would be truly amazing, under the circumstances, if he were to prevail. But he may.

Mitchum, Tully Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Homer W. Wessendorf, Jr., has been added to the staff of Mitchum, Tully & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. He was previously with William R. Staats & Co.

Now With Sutro & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Paul Secor is now affiliated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was previously with Hannaford & Talbot.


NEW! Boosts Engine Power Up to 25%*
DOUBLE POWERED
Mobilgas
SPECIAL
The Only Gasoline Double Powered with
1 Mobil Power Compound
most powerful combination of chemical additives ever put into any gasoline to correct engine troubles...
2 Top Octane
for greatest knock-free power—result of the world's most advanced refining developments!
Improves Every Car's Performance—Increases Gas Mileage, too!
NOW, in New Mobilgas SPECIAL—Mobil Power Compound, an exclusive combination of chemical additives developed by Socony-Vacuum—has been *combined with top octane* to bring motorists new benefits:
Boosts power up to 25%—increases gas mileage—improves *every* car's performance!
Checks pre-ignition ping—Mobil Power Compound's amazing additive, RT 125, quells and controls glowing particles responsible for this trouble.
Corrects spark plug misfiring due to injurious combustion deposits. Mobil Power Compound increases the effective life of spark plugs up to 3 times.
Controls stalling due to icing of the carburetor. No other gasoline offers the protection of GLYMONATE, unique de-icing additive developed by Socony-Vacuum.
Combats gum which causes automatic chokes and other parts to stick. Mobil Power Compound additive, new RT 200, reduces engine-formed gum—cuts waste of fuel.
Combined with top octane, Mobil Power Compound creates an entirely new kind of gasoline—New Mobilgas SPECIAL—*double powered!*
You get top anti-knock power—faster starting—protection from vapor lock—the greatest protection against engine troubles ever offered in *any* gasoline.
*Laboratory controlled tests in passenger car engines showed increases in engine power output up to 25% when using New Mobilgas SPECIAL as compared to conventional premium gasoline.
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SOCONY-VACUUM OIL CO., INC., and Affiliates: MAGNOLIA PETROLEUM CO., GENERAL PETROLEUM CORP.
—There's a Tune-Up in Every Tankful— Now at Mobilgas Dealers!

THE MARKET . . . AND YOU

By WALLACE STREETE

Despite the technically correct, but relatively unimportant, fact that the industrials were able to nudge their high a rung or so back up the 1929 ladder, the stock market this week spent most of its time backing and filling as various issues took turns at trying to rekindle a more vigorous advance.

* * *

It was quite apparent that moments of strength brought out a fair share of selling by those more interested at the moment in protecting their profits. Partly this is due to the fact that the list has worked essentially to the 310 level which is all that a rather large group of technicians envisions for the present. Since the climb has been steady for some seven months now, a reaction of at least a technical nature seems a bit overdue.

* * *

Rails Imply Caution

Also responsible for some of the caution around was the fact that the rails were finding it a bit of a chore to work their way through their own 1954 high to provide the confirming signal that would reassert the market's bullish swing. The debates have been lively over whether, for the first time in half a century, the industrials could continue on a bull movement of their own without the confirming help of rail strength. But such a conclusion had the appearance of being largely wishful thinking engendered by the adamant refusal of the rails to follow along for half a year now. And even the staunchest proponents of the argument undoubtedly would get great comfort out of even a minor corroborative signal.

* * *

News High for Oils and Metals

Prominent on strength and at new highs on the week were the so-called "uranium" issues along with the standard metals and a rather good sprinkling of oils, notably Standard of Jersey, Sinclair and Texas Gulf Producing. General Motors, U. S. Steel, Union Carbide and National Steel also forged to new high territory for the year.

These new high tabulations, however, can be a bit misleading. National Steel, for instance, was able to make the 1954 list by crossing 50 which somewhat obscures the fact that the same issue sold at 56 in 1951. U. S. Steel similarly is still a couple of points under its 1951 best, and Sinclair is lagging by around half a dozen points from equalling its 1952 best.

* * *

Much more valid was the new high recorded by Coca-Cola International Corp., the highest-priced item on the New York Stock Exchange. This infrequent visitor to the tape appeared for the first time in a couple of months on a 30-point improvement; and, at $976 a share, was the highest standing achieved by the issue since 1950 when it sold for $1,004. The all-time peak for the stock was in 1948, when a single sale price of $1,332 a share was recorded. In addition to other distinctions, the stock is probably the title-holder for the most inactive issue on the board. It showed on three sales all last year and skipped trading entirely in 1952. It also sat out the bull market peak year of 1946, so the couple of appearances made so far this year might be considered enough for a year's work already.

* * *

Lull in Aircrafts

For the aircrafts, the play seemed at least temporarily over. They were still volatile enough to show some large daily changes—either way—but with the split news out on the leaders already, and a pause due in earnings reports, the disposition seemed to be to convert paper profits to cash.

* * *

RKO Pictures continued extremely active. And the guessing game over why someone would want to pay 12 cents premium over the $6 available to redeem the issue necessarily centered on the company's tax loss credit. Unconfirmed rumors laid the heavy buying to Atlas Corp. which would make it one of the company's larger market transactions since it sold a good share of its investments last year and retired to the sidelines amply supplied with cash.

* * *

Among the uranium companies, Vanadium Corp. and Climax Molybdenum took turns at sprinting but all too often gave up their gains rather quickly in subsequent sessions for a performance of small net change. Vanadium particularly, was notorious for years for being able to gyrate wildly in even the dullest markets. But since the uranium era, Vanadium had taken on an air of respectability, particularly since the steel industry itself has lost its ultra cyclical character since the end of World War II. But in the play that followed all the H-bomb developments, Vanadium proved again that it is still capable of extreme movement, not the least being a one-day runup of some seven points.

* * *

Former Favorite a New Casualty

The week's casualty could be Woolworth. In posting new lows rather repeatedly, the issue worked all the way down to the lowest price seen since 1945. This one time speculative favorite for both traders and the general public had shown a worsening pattern somewhat steadily. From its 1929 peak of better than 103, it dropped in 1932 to 22. But, unlike the majority of issues, by 1942 it had broken through even the depression low to 21½. On the top side, its best effort in 1937 was 71, in 1946 only 62½ and the best since were 53 in 1947 and 51 in 1950. W. T. Grant, by comparison, this year was able to surpass the 1929 peak by a point or so.

* * *

American Can is another issue once a trader's delight but lately rather mundane. Its last good runup was when the 1952 split of 4-for-1 was imminent. It was a bit of a surprise, consequently, when it came to life in a dull market this week and forged to a new high exceeding anything but the 1929 best. It is one of roughly half the components of the Dow industrial average that have yet to erase the 1929 record peaks although the average has worked back to within some 70 points of the 1929 reading, history's highest.

* * *

The record date for buying New York Central regular way for anyone interested in voting in the proxy fight passed quietly in the week's initial session and, while the issue was the most active for the day—a role it frequently assumes—there was no rush for the stock. And since then the expected flood of cash sales, which carry votes until next Monday, turned out to be a mere trickle. This is the last hope of those who had anticipated some lively market buying by both parties to the battle; but it seems to be a slim one fully as disappointing as the regular way trading which saw the issue slide from 26 to 21 when the expectation was widespread that it would "have" to go to 30 or better.

* * *

A newcomer to popularity on volume was American Potash class B which has been somewhat laggard in recent months. From a random sale or two per session, it attracted some mild interest and quickly forged to its best level since it moved from the American Exchange to the Big Board as well as the best posting since 1946. This seems mostly to be a spill-over of interest in metals, based largely on its participation in South American lithium properties.

[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.]

Connecticut Brevities

The fabricating division of **Plume & Atwood Manufacturing Company** will be moved approximately Oct. 1 from its present quarters in Waterbury to a new single-story building of 150,000 square feet to be erected in Thomaston. The new plant will cost about $1,250,000 and will include air conditioning and diffused fluorescent ceiling lights.

Stockholders at the annual meeting of **Bridgeport Brass Company** on April 26 will vote on proposals to increase the authorized capital stock, amend the charter and grant stock options to certain key employees. The presently authorized stock in the amount of $25,000,000 will be increased to $50,000,000 if approved. There are presently outstanding 1,203,362 shares of $5 par stock. The charter amendments proposed would permit the company to merge or consolidate with other companies and to acquire property, assets or stock of other corporations in exchange for the company's stock, without preemptive rights. The proposed stock options cover up to 50,000 shares.

* * *

Stockholders of **The Plastic Wire & Cable Corporation** purchased 21,580 shares or 98.3% of the 21,952 shares offered on a one-for-five basis at $10.50 a share, with the rights expiring March 12. The remaining 372 shares were sold at the market by the company. The proceeds together with a $350,000 Long Term Bank Loan are being used for working capital and an expansion and improvement program, including a new 25,000 square foot office building and the establishment of a copper wire drawing department.

* * *

The Armstrong Rubber Company recently sold publicly an issue of $4,000,000 of 5½% Convertible Subordinated Debentures, due March 1, 1974. The bonds are convertible into class A common stock on the basis of $22 of debentures for each share. The company has recently received a certificate of necessity in the name of a subsidiary for a five year amortization for tax purposes of 45% of $835,454, covering part of the cost of new facilities to produce rubber tires at Des Moines, Iowa.

* * *

Cheney Brothers has discontinued operations of its men's wear fabrics division which produced neckwear, robes, mufflers and sportswear materials. Production facilities will be changed to increase production of special fabrics, marquisettes, upholstery fabrics and velvets, for which the company's operations are better suited.

* * *

The annual report of **Colts Manufacturing Company** shows that sales increased from $16,165,000 in 1952 to $21,306,000 last year and that earnings per share increased from $1.69 to $1.76, after Federal income taxes of $2.88 and and $3.53 respectively. Unfilled Ordinance orders were $10,878,000 against $17,700,000 at the end of 1952. At the year-end notes payable to banks were $2,700,000, but this had been reduced to $2,200,000 by March 25, 1954.

* * *

Veeder-Root, Inc. has changed its common stock from a no par basis with a stated value of $12.50 a share to a par value of $12.50 a share. Stockholders have been notified that it would not be necessary to send their certificates in for exchange.

Detroit Bond Club Announces Outing

DETROIT, Mich. — The Bond Club of Detroit will hold its annual summer party June 8th at the Grosse Ile Golf and Country Club.

To Be Guests at Chase Bank Luncheon

Manuel Arburua de la Miyar, Minister of Commerce of Spain, will be the guest of honor on Thursday at a luncheon at the Chase National Bank tendered by John J. McCloy, Chairman and Percy J. Ebbott, President.

Other guests will be Jose Felix de Lequerica, Spanish Ambassador to the United States; Jaime Arguelles, Under-secretary for Foreign Economy; Alejandro Suarez, Under-secretary for Industry, and H. Jose Sanpedro, Personal Aide to the Minister.

Chase officials at the luncheon, in addition to Mr. McCloy and Mr. Ebbott, will be Charles Cain, Jr. and Edward L. Love, Senior Vice-Presidents, and Alfred W. Barth, Vice-President.

First So. Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

BOYNTON BEACH, Fla.—Norman A. Bjork is now affiliated with First Southern Investors Corporation, Southwest First Avenue.

Collins With H. Hentz

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Frank M. Collins has become associated with H. Hentz & Co. Mr. Collins was formerly with Francis I. du Pont & Co. and Carl M. Loeb, Rhoades & Co. and prior thereto was manager of the Miami Beach office of Thomson & McKinnon.

Coined Paper—A Dangerous Form of Money!

By JOHN J. ROWE*

President, Fifth Third Union Trust Co., Cincinnati, Ohio

In pointing out paper money should be a promise to pay that must carry with it a fulfilment, prominent Cincinnati banker recalls paper money history of the country, and defines our current Federal Reserve notes as merely "coined" paper. Says substance and heart of present problem is to fix a fair price for gold both nationally and internationally. Holds declaration of policy of a balanced Federal Budget and reduced Public Debt are required, "if we are now willing to resume an open market for newly mined gold." Urges Treasury and Federal Reserve Banks increase their gold stock at the present price.

Paper money is a promise to pay, and it is and has been my firm and steady conviction that a promise must carry with it a fulfilment.

John J. Rowe

In the earliest times, after, I think I can call it floundering on the part of various primitive governments with the use of wampum or shells or what have you as money, there developed the coinage of gold and silver. Then, warehouse receipts, based upon gold or silver in warehouse, were issued in various ~~forms~~ in different countries by Banks, and there soon developed fractional reserves, so to speak, as the credit of the issuing Banking house became sufficiently established, so that *their* promise to pay in gold was acceptable even though it exceeded *their* actual gold holdings.

Our American Colonies issued paper money without having the gold to back the issues, and were forced to repudiate when the war of the Revolution began, and the Continental Congress then issued paper money, without security. The United States emerged victorious in the fight for independence but financially, in effect, bankrupt, because the repudiation of the Continental currency followed.

We then entered the era in chartering of banking corporations by various States, the Federal incorporation of the First and Second Banks of the United States, and the Banks themselves kept what stores of gold and silver coin they could acquire, and this great infant nation grew and prospered with intermittent panics and a fair percentage of bank failures. These Banks issued Bank Notes, and these notes became the general currency of the country. A little Bank Note publication quoted market quotations for outstanding Bank Notes in circulation, with a wide variation in valuation.

Then came the Civil War, and the Confederacy issued money with which to pay their troops and purchase supplies, but had the grace to make the notes payable two years after the declaration of peace between the Confederacy and the United States Government; which event, of course, did not happen, as the Rebellion failed and the States remained a part of the United States Government, and the Confederacy ceased to exist.

Effect of National Banking System

It is my opinion that the then birth of the National Banking System in this country, giving the newly created National Banks the power to issue Bank Notes, secured by a deposit of a given percentage of gold and United States Government bonds to secure the issuance of paper money, was a tremendous advance in monetary policy. This legislation proved to the world the soundness of Bank Notes secured by Government bonds, and gold, payable in gold if desired.

In 1861, the United States Government issued paper money without having a gold clause in it, but very shortly thereafter established the National Banking System, and the National Bank Notes became the major paper money in circulation, although the Federal Government continued to issue notes, and in 1886 issued silver certificates covered by silver deposited in the Treasury, and also issued notes payable in gold.

The Federal Reserve Act, passed in 1913, resulted in the issuance of Bank Notes by the various Federal Reserve Banks, secured by the deposit of bonds of the United States Government deposited with the Treasury, issued gold certificates in 1928 in larger denominations and silver certificates in the smaller denominations, and the National Banks issued notes secured by the deposit of United States Government bonds with the Treasury.

Federal Reserve Notes—"Coined" Paper

I recite the above to emphasize the fact that there was a firm belief both on the part of legislators and the public that promises must have a fulfilment clause. Coined paper had proved to be a very dangerous form of money.

Since 1934, the Federal Reserve Notes became, in effect, a simple declaration "This is $1.00" although, of course, they have a substantial total of gold in their assets; in other words, "coined" paper.

The fundamental subject of the various Bills under consideration at this time is whether it is safe to again make both gold and silver available to the holders of paper money, should they demand it, and at what price.

The Federal Reserve System took the place of the previous right of issue given by the Congress to the National Banks of the country, and the balance sheet of the consolidated Federal Reserve Banks is an extremely simple matter. It is, very roughly indeed—$25 billion in gold, $25 billion in Government Bonds, and on the other side of the ledger $25 billion in circulating Notes, and $25 billion of deposits required to be kept by the member banks on deposit with the Federal as their legal reserve requirement. This omits all of the minor items on both sides of the ledger, and the question before you gentlemen is, what price tag to put on an ounce of gold.

Our country has grown fantastically, and obviously the ratio between the existing supply of gold and the magnitude to which our American economy has grown is quite different than it was when the Federal Reserve Act was passed.

The deposits in the banking institutions have grown fantastically; the accounts receivable of all merchants and manufacturers are so much bigger than when the Federal Reserve Act was passed, that our country is one of the miracles of the human globe.

We know that costs have risen, offset in a number of cases by unbelievably increased mechanical processes which have kept costs from being impossibly high.

The price of gold was changed under the Roosevelt administration, and in what is believed by many people to be a wholly arbitrary manner.

Is it possible to revert to the legal price of gold before it was devalued? Is the present price of gold fair? Should the production of gold be stimulated if its price in dollars rose in a free market?

Again this in substance is the heart of the present problem.

I think we all agree that a promise to pay without indicating the method of fulfilment is an absurdity.

It is a subject that the Congress must come to grips with.

Obviously, the ratio of gold to our total credit structure in this country has been dwarfed.

International Aspect of the Problem

The other aspect of the problem is the international one. Gold has been the international medium of settling trade balances for centuries. With the maze of different ideologies over the globe and the different habits and mores of the variety of character and habit in looking at the world population, it seems to me even more imperative that gold be retained as the fundamental means of balancing annual differences between exports and imports among nations.

Where it can be demonstrated that an annual trade deficit is temporary, then temporary loans can be used to temporarily balance total transactions; but again, it strikes me that this borrowing and lending should be negotiated in the public market, and not by governmental lending or borrowing to or from other governments. The international aspect of gold resumption and the price tag placed upon it is of the utmost importance.

The Problem of Gold Price

Now, as to the three specific Bills under consideration:

S. 13 proposes that gold, mined after the enactment of the Act, may be bought, held, sold or traded upon the open market within the United States, its Territories and possessions, including Alaska, and that gold imported after the date of the Act may be held, bought, sold, or traded upon the open market, and may in turn be exported without requirement of licenses or permits of any kind.

S. 2332 reaffirms the $35 price for gold, and provides for full resumption, effective one year after the date of the enactment of the Bill.

S. 2364 provides for a free market for newly mined gold produced after the enactment of the Act.

Naturally, this is a very short summary.

On March 22, six private firms in London resumed the buying and selling of gold in the open market. In my opinion, this is a commendable effort to determine the value of gold in relation to the British pound, and it remains to be seen what volume of trading in gold will result. Britain has been having substantial difficulties in balancing its export and import position.

We know that the increase in the dollar price of gold in this country was made in an arbitrary manner when the $35 price was established in 1934. Obviously, the ratio between the gold stock in this country and the dollar volume of business done has been substantially less and less, year by year, as the dollar volume of business has mounted in this unbelievable manner for the past decade.

Does that mean that with the increase in the dollars in all combined balance sheets that the price of gold should again be raised?

Obviously, opinions would vary tremendously and, in my judgment, it is a sheer matter of opinion, and that possibly a free and open market for newly mined gold **might** be one way to answer it.

As I see the horizons ahead of us, I feel sure that new discoveries, new inventions, and new techniques offer a long range vista ahead of us beyond any human ability to forecast.

Is our present Congress willing to drastically cut its expenses, reduce the number of people on government payrolls drastically, in order to reduce the impact upon costs, and therefore prices of all manufactured goods in this country?

High taxes naturally increase wages and salaries and, in the long run, prices are governed by costs.

Prerequisite of a Free Gold Market

Therefore, in my opinion, if we are now willing to resume an open market for newly mined gold, there should be with it a strong declaration of policy from our government of its intention to economize sufficiently to not only balance its budget, but to steadily reduce its outstanding debt.

Inasmuch as, since the 1934 increase in the price of gold, the total dollar volume of business in this country has mounted so fantastically (primarily, in my opinion, due to the amazing human ingenuity of business), it is necessary to ponder how large our gold stock should be, as expressed in dollars, and whether there is any sacred obligation to retain the $35 price.

Will a $35 price acquire the amount of gold which should be held in the Federal Treasury or in the vaults of the Federal Reserve Banks?

The open market has been a wonderful test for commodities, and the open market has been one of the great liberties this country has enjoyed. I am inclined to believe that the open market might shortly establish a $35 price as being fair, and I cannot help but feel that the test of the open market should be made possible.

Stored gold earns no interest. It is a sheer temporary speculation as to price. The amount needed by the arts is comparatively small, and I know of no way in a free economy to establish the dollar price of any article except through the open market. Obviously, the United States Treasury and the Federal Reserve Banks would feel impelled to increase their gold stock at the present price.

As to immediate resumption, panic in the past has struck with little warning, and while I do not feel that the public would stampede for gold if our paper currency could purchase it freely, I would not personally be ready to take such a risk if I were a member of the Congress.

Obviously, if a free market carried gold to a premium, there might be substantial imports of gold which conceivably could work the price lower because, after all, gold earns no interest.

Summing it up, I am strongly in favor of free markets in an economy.

*A statement by Mr. Rowe before the Subcommittee of the Senate Banking and Currency Committee, Washington, D. C., March 31, 1954.

Chemists Wage Battle Against Animal Parasites

Dr. A. O. Foster, of U. S. Department of Agriculture, tells American Chemical Society of heavy loss to farmers from parasitic worms. Other speakers reveal the nature of the worm infection and the methods of discovering additional compounds to "kill the animal within the animal."

Farmers in the United States are losing more than $250,000,000 every year because of parasites known as helminths, or worms, Dr. A. O. Foster of the United States Department of Agriculture, Beltsville, Md., told the 125th national meeting of the American Chemical Society.

Aurel O. Foster

These helminths, some 70 species altogether, have invaded the digestive tract of domestic animals of every class, said Dr. Foster, who is a parasitologist in the zoological division of the Agriculture Research Service's Bureau of Animal Industry. Household pets may also play host to some of the great variety of marauders.

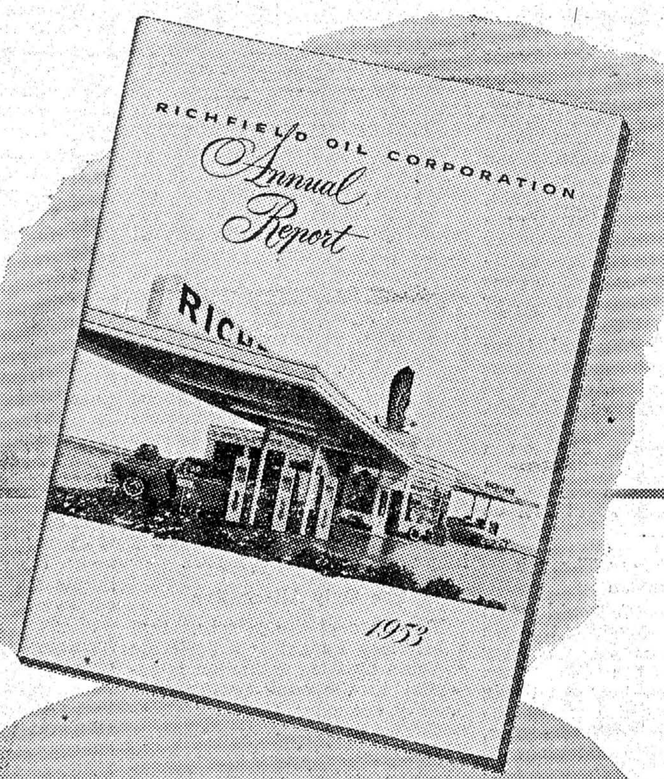
An indication that many chemists across the country are seriously concerned about this major agricultural problem is the fact that the Society's Division of Medicinal Chemistry conducted a half-day symposium on the disease of domestic animals which is known as helminthiasis.

"Recent years have witnessed ever increasing instances in which helminths have been found to be the principal agents in the causation of disease outbreaks resulting in heavy death losses," declared Dr. Foster. "The employment of measures to minimize losses caused by helminths and other parasites has come to be regarded as an essential aspect of livestock management.

"Although chemicals are the most practicable weapons for combating helminths, no treatments can be recommended for removing or controlling a large percentage of the injurious species. Of about 50 anthelmintic chemicals that may be recommended for various uses, many are notably unsatisfactory, many are extremely limited in their applications, and none is wholly satisfactory when critically judged by the paramount criteria of safety, efficiency, ease of administration and cost."

Methods of discovering additional compounds to "kill an animal within an animal" were described by Dr. Harry M. Martin of the University of Pennsylvania's School of Veterinary Medicine. Such drugs should be soluble in aqueous solutions and body fluids, stated Dr. Martin. They should also be safe for the host, nonirritating, and not readily changed into inert substances, he added.

Dr. Jackson P. English of the American Cyanamid Company's chemotherapy division surveyed the chemistry of compounds which have been reported to be effective against helminths in the past. He pointed out the characteristics of the substances which appeared to be most useful and indicated that these studies might lead to the discovery of new, more effective anthelmintic drugs.



Richfield Reviews 1953

Net earnings of Richfield for 1953 were $28,525,000, equal to $7.13 per share, as compared to $25,625,000, equal to $6.41 per share, for 1952. Dividends of $3.50 per share, including a special dividend of 50¢, were paid during 1953.

Sales of refined products in 1953 averaged 103,430 barrels per day, as compared to 93,295 barrels per day in 1952.

Sales of crude oil averaged 24,904 barrels per day, as compared to 27,689 barrels per day in 1952.

Gross sales and other operating revenue totaled $202,039,000 in 1953, as compared to $180,828,000 in 1952.

Gross crude oil production in 1953 amounted to 26,499,000 barrels, as compared to 27,440,000 barrels in 1952. Net production was 20,603,000 barrels in 1953, as compared to 21,161,000 barrels in 1952.

Total crude oil processed at the Corporation's refinery in 1953 averaged 111,647 barrels per day.

During 1953 the Corporation used its retained earnings together with $24,000,000 in new funds from the sale of debentures to provide for an enlarged program of capital additions. Capital expenditures of $62,951,000 during 1953 were $36,432,000 in excess of 1952 expenditures. The increase was attributable primarily to a refinery expansion program and to development of oil and gas properties.

These are highlights in the 1953 Annual Report . . . another chapter in the Richfield story of progress.

RICHFIELD OIL CORPORATION

Balance Sheet

AT DECEMBER 31, 1953 AND DECEMBER 31, 1952

Assets

	1953	1952
CURRENT ASSETS:		
Cash	$ 11,581,891	$ 13,025,836
United States Government securities, at cost	12,385,340	19,785,440
Accounts receivable, less reserves of $569,724 in 1953 and $348,895 in 1952	28,251,390	20,288,312
INVENTORIES:		
Crude oil and refined products, on basis of cost determined by the annual last in first out method and, in the aggregate, below market	30,182,472	22,518,969
Materials and supplies, at or below cost	6,459,162	5,625,810
	$ 88,860,255	$ 81,244,367
INVESTMENTS AND ADVANCES	$ 3,145,547	$ 2,736,759
CAPITAL ASSETS—Oil and gas lands and leases, oil wells and equipment, refineries, marketing facilities, transportation equipment and facilities, terminals, office buildings, etc., at amounts established by the Board of Directors as at March 13, 1937, plus subsequent additions at cost, less retirements	$301,287,291	$250,341,560
Less—Reserves for depreciation and depletion	135,642,159	122,990,894
	$165,645,132	$127,350,666
DEFERRED CHARGES:		
Taxes, insurance and rents	$ 3,267,188	$ 2,997,279
Other	788,656	1,157,822
	$ 4,055,844	$ 4,155,101
	$261,706,778	$215,486,893

Liabilities and Capital

	1953	1952
CURRENT LIABILITIES:		
Accounts payable	$ 14,906,908	$ 8,668,028
Federal taxes on income less United States Government securities of $23,600,000 in 1953 and $24,000,000 in 1952 held for payment thereof	90,708	49,697
Other taxes	6,788,113	5,905,791
Instalments due within one year on long term debt	3,000,000	
Other liabilities	2,041,786	1,509,600
	$ 26,827,515	$ 16,133,116
LONG TERM DEBT (due after one year):		
Notes payable to banks (1.85%), due 1956		$ 25,000,000
Notes payable to banks (3.25%), due in equal annual instalments to 1963	$ 22,500,000	
Twenty-five year 2.85% sinking fund debentures, due 1974	25,000,000	25,000,000
Thirty year 3.85% sinking fund debentures, due 1983	23,500,000	
	$ 71,000,000	$ 50,000,000
RESERVE FOR CONTINGENCIES	$ 202,647	$ 202,647
CAPITAL STOCK:		
Authorized —7,500,000 shares without par value Outstanding—4,000,000 shares	74,496,630	74,496,630
EARNED SURPLUS	89,179,986	74,654,500
	$261,706,778	$215,486,893

WE WILL BE PLEASED TO SEND YOU A COPY OF OUR 1953 ANNUAL REPORT. WRITE: SECRETARY, RICHFIELD OIL CORPORATION, 555 SOUTH FLOWER STREET, LOS ANGELES 17, CALIFORNIA

RICHFIELD OIL CORPORATION

Executive offices: 555 South Flower Street, Los Angeles 17, California

We Can Balance the Budget and Cut Taxes

Contending tax reduction must be accomplished through expenditure curtailment, the Committee on Federal Tax Policy maintains budget can be cut and balanced at $60 billion. Pleads for abandonment of activities which are properly the province of private enterprise. Declares high taxes defeat their own end by destroying their base.

A blueprint for cutting $8 billion in non-defense items from Federal budget obligations for fiscal 1955 was published in a new study just released by the Committee on Federal Tax Policy, a private group of fiscal experts.

Roswell Magill

Arguing that the only way to reduce taxes safely is to reduce expenditures along with them, the Committee led by former Under Secretary of the Treasury Roswell Magill also said budget expenditures for fiscal 1955 could be cut to "about $60 billion." This would have the effect of balancing the Federal budget for the fiscal year beginning July 1, 1954.

The comprehensive analysis of Federal expenditures was contained in two 30-page sections of a new study entitled "Federal Finances," covering the general fiscal problem and expenditure reduction. A third section on the tax problem will be published later this Spring. Earlier studies by the Committee were issued in 1945, 1947 and 1951.

Basing the study on the proposition that U. S. security depends on the nation's capacity "to outproduce the enemy," the Committee proposed a program "to assure the continued effective functioning of our free enterprise system."

This means first that the nation must "stop living beyond our means" and balance the Federal budget, said the Committee, adding that "we do not believe that substitute measures such as balancing the cash budget or excluding from the budget items alleged to be self-financing will really help us in reaching this goal."

Indispensability of Expenditure Reduction

"If we accept the principle that a balanced budget is a desirable end and that tax reduction is essential to the continuation of a healthy economy, the only alternative is to reduce expenditures," said the Committee.

After saying that "defense spending must be kept safely within the capacity of a healthy private economy," the Committee aimed most of its recommendations at the non-military area:

"In non-defense expenditures, a thoroughgoing re-examination should be made of the policies from which an overgrown and extravagant Federal establishment has developed. What needs to be done is to abandon or curtail activities which are not proper government functions, but rather the province of private enterprise; to withdraw Federal participation in the financing of many state and local activities; and to effect every possible economy in the administration of those Federal services which are continued."

Government in Business

Illustrating the extent to which the Federal Government is in business the Committee added:

"The government lends money; builds houses; stores agricultural commodities; insures lives, crops and cargoes; installs power lines and markets electricity; runs railroads; owns and manages hotels; prints and publishes magazines and other periodicals; rents buildings; operates stores and commissaries, communication services, terminal facilities, warehouses, bakeries, banks, fish hatcheries, laundries, and dry-cleaning plants; roasts coffee; manufactures fertilizer, clothing, helium, ice cream, tin, nickel, rope, rum, and paint; and sells furs."

In listing the ingredients of its recommended $8 billion cut in Federal budget obligations, the Committee pointed out that any reductions in these obligations would not necessarily be reflected in a cut in expenditures for fiscal 1955 but would be worked out in expenditure savings extending through fiscal 1955 and future years.

The Committee proposed cancelling $3.3 billion of the estimated obligations by withdrawing from business enterprises and vastly expanded programs of aids and services to special groups, which it said should be left to private enterprise or to individuals, including:

(1) One-half of the $1.4 billion requested for development of atomic energy on the basis that this amount will be devoted to the perfection of commercial uses of atomic power and should be a function of private enterprise; (2) over $500 million for veterans' education and training; (3) nearly $400 million for "free" medical care for ex-servicemen for injuries and illnesses in no way connected with their duty in uniform; (4) $120 million for welfare aid to special groups; (5) $350 million for production and marketing of agricultural commodities; (6) $170 million of subsidies for airlines (7) the $330 million postal deficit, and other programs.

Another $1.2 billion could be saved on non-essential items, said the Committee, citing $880 million for foreign economic and technical aid in the light of a statement by Director of Foreign Operations Harold E. Stassen that Western Europe now appears able to maintain both military and economic strength with less help from the United States.

Many so-called grants-in-aid programs should be returned to the financing and control of state and local governments to assure critical local review before expenditures are made, said the Committee. Some $2.5 billion of proposed obligations in this category would include: $1.2 billion for public assistance, nearly $600 million for highway construction, over $170 million for hospital construction and other health purposes; and $205 million for administrative expenses of state unemployment compensation programs.

"There remain of the $8 billion proposed cut in budgetary obligations $1 billion for activities the present need for which is at least doubtful," said the Committee. "The principal items are $400 million for water resource programs, $110 million for foreign information and exchange activities, and $90 million for the promotion of the merchant marine. Under present circumstances, we recommend that Congress thoroughly review these activities with an eye toward their substantial curtailment or elimination."

The Committee also saw possibilities for savings in the $40 billion of military obligations, although it made no specific recommendations.

Additional savings are possible through improved efficiency and elimination of waste in those activities retained as essential Federal functions, said the Committee.

Concerning the huge amounts of loans and investments involved in revolving and trust funds for price supports aids to housing, etc., the Committee pointed out that "stopping new loans, liquidating the $16.5 billion of loans expected to be outstanding on June 30, 1954, and liquidating as much as possible the inventories and other assets held by government agencies would make large proceeds available for debt retirement or tax reduction."

Agreeing that "Federal taxes are too high and must come down," the Committee pointed out that the total (Federal, State, local) tax burden in 1953 was equivalent to about 31% on a $3,500 income; about 33% on a $4,500 income; about 37% on a $7,500 income; and about 44% on a $15,000 income.

Too Much Money Through Taxation

"The fundamental trouble with the Federal tax system is that we are trying to raise too much money with it," said the Committee. "Any tax system for collecting revenues of the order of $70 billion is bound to be burdensome, inequitable, and a deterrent to investment, production, and economic progress. Such high taxes tend to defeat their own end by destroying the base on which they rest."

"If expenditures can be reduced and the budget nevertheless brought into balance, then taxes can come down and the tax system can be improved," said the Committee. "The attainment of these goals will require heroic effort. But if we courageously pursue these ends, we can achieve that strong defense, full employment, and high prosperity that we all wish so ardently to maintain."

Besides Mr. Magill, who is president of the Tax Foundation and a member of the firm of Cravath, Swaine and Moore, the members of the Committee include: Walter A. Cooper of Peat, Marwick, Mitchell & Co.; Fred R. Fairchild, Knox Professor Emeritus of Economics, Yale University; Thomas N. Tarleau of Willkie, Owen, Farr, Gallagher and Walton; and Alan H. Temple, Executive Vice-President, National City Bank of New York. The Director of Research was Benjamin P. Whitaker Professor of Economics at Union College and the Committee's secretary was Alfred Parker of the Tax Foundation.

The Committee study was made possible in part by funds for research granted by the Alfred P. Sloan Foundation, Inc.

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First Report Summarized

A SUMMARY OF THE FIRST TWO SECTIONS OF THE REPORT FOLLOWS:

Security Lies in Productive Strength

America will have to carry a heavy burden of military preparedness for years. *The security of the nation resides not alone in its military strength, but also in its productive strength — its capacity to out-produce the enemy.* Therefore, we propose a program to assure the continued effective functioning of our free enterprise system; specifically, the strengthening of incentives to produce and invest, and the withdrawal by government from those activities which can be performed as well or better by private business.

Ravages of Inflationary Deficits

The first and most important step in restoring conditions favorable to the effective functioning of a free economy must be to stop living beyond our means. *In 20 of the 25 years since 1929, the government has spent more than it has taken in.* This deficit financing has resulted in an inflation that by 1953 reduced the purchasing power of the dollar to half of what it was from 1935 to 1939. For example, the government legally discharged its obligation to a Series "E" savings bond buyer by paying him in 1951 the $100 due on the bond he purchased for $75 in 1941. But in terms of purchasing power, it did not even repay his original investment, since the $100 he received in 1951 was worth only 57 of his 1941 dollars.

Balanced Budget Needed

We believe that the sound public opinion of the country today accepts the general principle of the annually balanced budget. When we speak of a balanced budget, we mean the administrative budget as submitted by the President. We do not believe that substitute measures such as balancing the cash budget or excluding from the budget items alleged to be self-financing, will really help us in reaching this goal.

The Only Alternative

If we accept the principle that a balanced budget is a desirable end and that tax reduction is essential to the continuation of a healthy economy, *the only alternative is to reduce expenditures.* Though people want their taxes reduced, many special groups strenuously resist curtailment of Federal spending in the particular area from which they think they benefit. The collective demands of these special groups present a serious obstacle to budget reductions. Nevertheless, we believe cuts in Federal spending can be made through more frugal financing of some government activities and the complete elimination of others.

High Taxes Defeat Their Own End

Unless Federal expenditures are reduced drastically, everybody, both rich and poor, must continue to bear a very heavy tax burden. The average burden of Federal taxes in fiscal 1953 at selected income levels was: at $3,500—$836; at $4,500—$1,148; at $7,500—$2,152; at $15,000—$5,102. *The fundamental trouble with the Federal tax system is that we are trying to collect too much money with it.* Any tax system for collecting revenues of the order of $65 billion upward is bound to be burdensome, inequitable, and a deterrent to investment, production, and economic progress. Such high taxes tend to defeat their own end by destroying the base on which they rest.

Spending Levels Near Peak

The $74 billion spent by the Federal Government in 1953 represented the largest spending volume in the country's history save for the three years of all-out war (1943, 1944, and 1945). *Expenditures of the National Government in the current fiscal year (1954), are expected to reach $70.9 billion. This total is over twice as much as the $33.1 billion spent in 1948, the postwar low, and almost eight times the $9.1 billion spent in 1940.*

Reductions Possible in Current Military Expenditures

No reasonable person will challenge the essential need of maintaining the strongest possible defense arrangements consistent with a strong and productive economy. *But we are convinced that there are possibilities of very substantial reductions in current military expenditures (estimated at $45 billion in fiscal 1955), without any appreciable weakening of our national defense.* The major portion of any reduction in these expenditures must be sought from a re-formulation of our defense policies in the light of revolutionary changes in military operations and recent developments in atomic and other weapons.

Eliminate Unessential Functions

Non-defense expenditures were only $7.6 billion in 1940. In 1953 they totaled about $24 billion. They are estimated to total about $20 billion for fiscal 1955. Many non-essential activities of the Federal Government can be curtailed or eliminated. Others can be transferred from government to private enterprise. Still others can be returned to State and local governments in whose sphere of activity they fall naturally. We should, of course, ruthlessly cut out all waste and inefficiency in the essential functions of the Federal Government. *But no solution of our problem will be attained until we divest the government of unessential functions.*

Government in Business

The Federal Government is so deeply involved in business activities that there is scarcely an area of human endeavor in which it is not engaged. The government, for example, lends money; builds houses; stores agricultural commodities; insures lives, crops, and cargoes; roasts coffee; manufactures ice cream, tin, nickel, rum, and paint. It has become firmly entrenched in the production and marketing of electricity. (Federal production of electrical energy is now over 13% of all U. S. electric power output.) It is spending vast sums in the development of atomic energy for peace purposes. It has spent billions on housing. As a lending agency on a vast scale, the government is expected to have $16.5 billion of loans outstanding on June 30, 1954.

Aids and Services to Special Groups

The Federal Government also dispenses billions for domestic aids and services to special groups. The budget for 1955 projected a total of just over $8.7 billion for these purposes. These aids include such items as payments to agriculture, services and aids to business, and a multitude of special programs for veterans including education, life insurance, and medical and hospital treatment.

Aids to State and Local Governments

Over the years, there has grown up an uncoordinated accumulation of grant-in-aid programs to State and local governments. The Federal Government spends money for grants to the States in such fields as public assistance, health and hospital construction, highway construction, administration of unemployment compensation, conservation of natural resources, airport construction, and vocational education. *These programs should be returned to the financing and control of State and local governments, thus reuniting the responsibility and control over the services rendered.*

Efficiency Means Savings

Although major reductions in Federal spending can come only from the curtailment or abandonment of Federal programs, considerable savings are still possible through better organization and administrative efficiencies in those programs that are retained. Examples of waste and extravagance still come to light. Often these are due to overlapping and duplication, as in the case of public works; in other instances, as in the Post Office, sheer inefficiency is to blame.

Ultimate $8 Billion Budget Cut

Our examination of the details of the budgetary obligations projected for 1955 leads us to the conclusion that as much as $8 billion can ultimately be cut from the Federal budget. This takes no account of reductions in defense obligations which should result from steps now initiated, nor of the effects of terminating lending operations or of liquidating loans and inventories.

Of the estimated savings in 1955 obligations, $3.3 billion is for activities which should be left to private enterprise or to individuals; another $1.2 billion can be saved by abandoning activities which are non-essential; still another $2.5 billion by ceasing to finance activities properly belonging to State and local governments; and finally, another billion dollar saving is possible by curtailing certain non-defense activities, the need for which is doubtful under present circumstances.

The full effect of an immediate cut in budget obligations will not be completely reflected in reduced expenditures in 1955, due to the time lag between the incurrence of an obligation and the actual cash payment. *However, we are convinced that expenditures for fiscal 1955 can be brought down to a level of about $60 billion.*

Great Challenge Presented

No greater challenge is presented to the American people than that of bringing Federal spending down to a level where the budget will be balanced, taxes can be reduced, and a beginning made on paying off the Federal debt. *The total effect of these steps will be to strengthen the economy, remove the restraints on our productive energies, and enable us to maintain a better defense while avoiding economic disaster.*

Jos. Kastor Partner In Hecht & Co.

Joseph H. Kastor

Alfred Hecht

Joseph H. Kastor, who first became a member of the American Stock Exchange in 1932, joined Hecht & Co., 14 Wall Street, New York City, members of the New York and American Stock Exchanges on April 9, 1954, as a General Partner. Mr. Kastor will represent the firm on the New York Stock Exchange, having been elected a member on April 8.

Thus a 22-year friendship between Alfred Hecht and Mr. Kastor culminates in a partnership. Both Mr. Hecht and Mr. Kastor were originally associated with Sartorius & Co., which Mr. Hecht left in 1947 to form his own firm.

Eberstadt Places Talcott Notes

Private placement of $2,500,000 5¼% capital notes, series A (subordinated) due April 1, 1966, was announced on April 12 by James Talcott, Inc. Proceeds will be used by the factoring and finance firm for further business expansion. The placement was negotiated by F. Eberstadt & Co. Inc.

With Ames, Emerich Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Theodore Meyers has become associated with Ames, Emerich & Co., Inc., 105 South La Salle Street, members of the Midwest Stock Exchange. Mr. Meyers was formerly with David A. Noyes & Co.

Bankers Offer York Corp. Debs. & Stock

Issues of common stock and debentures of York Corp., a major factor in the air conditioning and refrigeration fields, were publicly offered yesterday (April 14) by banking groups headed jointly by the First Boston Corp. and Kidder, Peabody & Co. The current offerings consist of $18,000,000 of 3⅝% sinking fund debentures, due 1974, priced at 99 and accrued interest and 220,000 shares of common stock, $1 par value, priced at $26.875 per share.

Proceeds from this financing will be used to retire $3,345,000 in outstanding first mortgage sinking fund bonds due in 1960 and 1963; to repay $5,000,000 in bank loans; to pay for $10,500,000 in contemplated expansion of plant and facilities, and for general corporate purposes.

A sharp growth in sales volume during the past 18 months has placed rapidly increasing demands on York's manufacturing facilities and has increased materially its working capital requirements. Since World War II, the company has expended approximately $12,000,000 on new facilities and equipment and contemplates further expenditures of $9,000,000 through 1955.

Optional redemption prices on the debentures range from 102½ in the 12 months commencing April 1, 1954, to 100 after March 31, 1971. A sinking fund is calculated to retire 100% of the issue by maturity at par.

Dividends on the common stock of the corporation have been paid at the rate of 25 cents a share quarterly since January, 1952. In January, 1954, an extra dividend of 25 cents a share was paid.

Pioneer in the allied fields of air conditioning and refrigeration, York Corp. is successor to a business founded in 1885.

In the fiscal year ended Sept. 30, 1953, the company had consolidated sales of $82,700,000, of which approximately 60% was derived from the manufacture and sale of air conditioning equipment and systems. Approximately 20% of the latest fiscal year's volume was derived from refrigeration and ice making equipment. The balance of sales stemmed from accessory equipment and services as well as products for the Atomic Energy Commission and military services. Net income for the Sept. 30, 1953, fiscal year amounted to $2,740,000.

Carter Harrison Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Edgar G. Lemmon has been added to the staff of Carter H. Harrison & Co., 209 South La Salle Street, members of the Midwest Stock Exchange.

With Rogers & Tracy

(Special to The Financial Chronicle)

CHICAGO, Ill.—Samuel A. Williams is now with Rogers & Tracy, Inc., 120 South La Salle Street.

A Year of Opportunity For Industrial Advertisers

By CARLTON H. WINSLOW*
Vice-President in Charge of Sales,
Cuno Engineering Corporation

Mr. Winslow, after giving reasons why 1954 is a big year for industrial advertising, cites new opportunities in industrial advertising and holds industrial manufacturers have lagged behind consumer goods concerns in developing merchandising programs. Points out industrial advertising has moved along with other functions of distribution into an era in which it will assume greater importance.

Why is 1954 the Big Year for Industrial Advertising? Let's explore for a moment some of the basic ideas behind this conference theme.

C. H. Winslow

In the recent postwar years it has been fashionable to sit around and talk about that time in the near future — always just ahead — when our various companies, for the first time in many long years, would have to get out and really sell; a period of tough competitive conditions that would separate the men from the boys — a buyers' market. Well I think it can be truly said of the majority of companies represented here today that we have arrived in that long awaited set of conditions.

It is a very natural habit of top management to concentrate its attention and efforts upon those phases of its business which are most critical under the conditions prevailing at any given time. Thus we have seen long periods of great stress on plant facilities, procurement, production — in general those functions which have to do with getting our products out the shipping room door. Today the spotlight of management is sharply upon the activities of all of us who are concerned with marketing. I think it will remain there for a long time to come.

Behind this scrutiny, and the reason for it, is the fact recognized by management that the functions of advertising and selling have moved to positions of top importance in this year 1954 and that they must be brought to new peaks of efficiency and effectiveness. Not only do we find ourselves playing a more vital role in the successful operation of our respective enterprises, but we are doing it under a set of conditions which will require us to produce more for every dollar spent and be able to show it. The demands upon us will be exacting, but herein lies our great opportunity.

So much for the business climate and the new demands which it automatically thrusts upon us. Let us remember, however, that while the shift of emphasis to marketing creates a strong tide running in our favor, the opportunities inherent in this new set of economic conditions will materialize only as we work to create them. They are, to no small degree, a product of our own efforts. We must reach for them.

I'm sure it's the ambition of every alert advertising man to perform in such a way as to lift his function and importance in his company or, to use the words of your Chairman, to win a place on management's team. I can think of nothing more vital to the realization of this ambition than to adopt management's point of view—to cultivate the ability and habit of subjecting every major thought and plan to scrutiny from the management viewpoint. It's a way of thinking which I believe is most essential to that job we all have of selling and satisfying the people at the top. How, then, do our managements view this problem of industrial advertising?

I sometimes think that management, particularly in industrial manufacturing as compared to consumer goods concerns, has a greater struggle and has to do more groping when dealing with advertising problems than it has with any other phase of its business. As compared with more exact sciences such as might be employed in developing an incentive plan or calculating tool costs, the whole realm of advertising presents a host of problems which seem to defy clear definition. Perhaps we too have not always done all that we might with the new tools at our disposal. It has been easy to wave off pertinent questions from topside with the customary explanation that in advertising we're dealing with intangibles. A mysterious frustrating haze surrounding the whole subject has led too many companies to approach their advertising programs, as I heard one person put it, with mixed emotions of faith and fear—faith that somehow or other it will do some good, and fear that without it the boat might be missed.

But it is not a practice of progressive management to flounder long in any area of activity vital to successful operations simply because the problems by their very nature are hard to define and the answers hard to pin down. If there has been an indifference in recent years because sales came easily, because other problems were more pressing, because tax laws encouraged extravagance or laxity, we can be sure that it is a thing of the past and that alert management everywhere will no longer resign itself to the so-called intangibles.

The first great need, then, it seems to me, is to make the intangibles tangible by building on a solid foundation of facts. All too often we have seen advertising dollars wasted under the influence of guess work, hunches, pet ideas, prejudices—influences that thrive on ignorance of the facts. We need more and better facts about our products, the sales problems, the markets, the media and techniques we use to promote them. We need the facts and we need to use them intelligently.

Getting back to management's point of view let's remember that management loves facts, feels at home with them, knows how to interpret and use them. Management is more inclined to have confidence in programs built around facts — clear, pertinent, well presented facts.

There are the facts concerning our products themselves — their applications, features and limitations. Elemental as this seems to be, do we always know as much as we should about our products and particularly to know the points of importance to the different groups of users, the points that deserve emphasis in varying degrees for each major market? This is a matter for constant diligent study and there is nothing like frequent field experience to help round out the picture.

On this subject of product knowledge I would like to toss out a thought to the agency people, particularly those whose responsibility is contact with the client. This buisiness of advertising, I will grant you, involves talents and skills and knowledge which call for quite a fair degree of specialization. But isn't it sometimes overdone in such a way as to throw the sales problems of the product into eclipse? I know more than one manufacturer who views agency people with basic mistrust. I think this often stems from the tendency, in their sessions with management, to go off on flights of fancy into weird and wonderful uses of their special techniques to the point where the product and the hard practical problems of selling it become secondary considerations.

I think that agencies in the industrial field could step up the effectiveness of their efforts very materially by placing greater emphasis on the job of acquiring more detailed knowledge of the product and the every-day problems of selling it. It's a concept of joining the selling team as compared to the concept of rendering a highly specialized service from off in some ivory tower. This problem, which is certainly not an easy one, especially where complex technical products are involved, rests largely between the account executive and the advertising manager. I believe that if both work together toward equipping the agency with a better working knowledge of the product and its applications, the extra effort would pay some handsome dividends in the form of a program better tailored to the selling needs.

Getting back to facts—the need for more and better facts—I note that the first session this morning will be devoted to the subject of market research and, very appropriately, that three points of view—the advertiser, the publisher, the agency—will be represented on the panel. Here indeed is an area of activity which must be primarily concerned with separating facts from fancy. Once again we're talking management's language. They will welcome, appreciate and reward successful efforts to get away from guess work and apply scientific methods in this field, just as they have in other phases of business with such techniques as job evaluation or better incentives.

It's very difficult to generalize about market research in industrial concerns because of wide variations in the placing of responsibility for this function depending upon the size of the company, management philosophy and other factors. In many situations the field is wide open to the advertising manager and the opportunities to broaden his function are very great. In most other situations, even where the primary responsibility rest elsewhere the advertising manager can make valuable contributions and should seize every opportunity to collaborate. Basically my feeling is that the industrial advertising manager has a definite place in the market research picture and that this is another area of activity where, by exercising initiative and resourcefulness, he can make further strides toward his own personal development.

Another great opportunity for industrial advertising in this new era lies in the development of dynamic merchandising programs. I did not have the opportunity of hearing Mr. G. D. Crain, Jr. speak on merchandising before you at your February meeting, but I did read with a great deal of interest what he had to say. He pointed out that the brains of the industrial advertising and marketing field have an opportunity not persented for well over a decade to demonstrate the meaning of modern merchandising in the great industrial markets of the United States.

I think that Mr. Crain is absolutely right in stating: that most industrial manufacturers have lagged behind consumer goods concerns in developing merchandising programs; that where this is true the industrial advertising manager has a wonderful opportunity because his is the creative mind which is capable of singling out a dramatic idea around which the entire program can be built and which has the power to stimulate all of the selling and marketing activities of the company; that the advertising man who attempts this kind of service may find himself becoming a part of management to a degree he may not previously have experienced.

This brings me to another area of activity that is certainly vital to the success of our programs—the merchandising of our advertising to the sales force. I am glad to see that what promises to be a highly interesting session on this subject is planned for today. I do feel that a great many industrial advertisers fail to get as much as they should out of good advertising programs because they have failed to place sufficient emphasis on selling the people in the field.

We want our sales people in the field to believe in our advertising, to understand what it is designed to do, to feel that it is tailored to their needs, to be enthusiastic about it, to use it fully and effectively. It seems perfectly obvious that these things simply won't happen unless we make it our business to get out and sell them with the same determination with which we are constantly striving to sell our products to our customers and prospects.

I want to say a few words about a hidden by-product, very important to the personal development of the industrial advertising manager, that comes out of a good job of merchandising his advertising to the sales force. Remember that management is always watching us, critically. Our bosses see us not only directly but through the eyes of others, and notably those people in the field who by their own sales performances have won positions of power and influence and are close to the ear of management. It is a frequently overlooked fact, I believe, that management's evaluation of the capabilities and performance of its key marketing executives is profoundly influenced by what it hears from the field. Can you think of a more compelling personal reason for getting out there and pitching to win by performance not only an enthusiasm for your program, but the respect and support of the sales force for you personally? Surely this is another great opportunity that the industrial advertising man cannot afford to miss. Again from the viewpoint of fact-minded management, the things we can do to more accurately measure our accomplishments present a great challenge and further opportunity. We need better yardsticks not only to help us build the better programs we must have, but to help us sell those programs. We need all the help of this kind we can get for the job of persuading management that we can do what we say we can do. We need it again in showing management how close we have come to accomplishing what we said we could accomplish.

We have numerous measuring tools and techniques available to us—some good and some which leave a lot to be desired. I think we can all agree that a great deal of pioneering remains to be done to give us better methods of advertising evaluation. It seems to me, for example, that we have far better ways of knowing where our advertising goes than of knowing what it does after it gets there. Nevertheless, the industrial advertising manager has today, I believe, not only an obligation to use the various methods of evaluation that are at his disposal, but by ingenious adaptation of these methods to the peculiarities of his own problems, a real opportunity to build a sounder program and sell it convincingly. I am sure that we all have much to gain from the session we shall hear on this subject later on in the day.

While it is not my purpose to run the gamut today there is one last point I would like to bring out as we look at the things management expects of us. Marketing costs must come down. The squeeze will be on to reduce and control advertising expense. We shall have to make strategic use of our funds with the utmost ingenuity and hard-driving efficiency. It's just another challenge and every challenge is an opportunity. I like to feel and I do believe that most people come to conferences of the kind that has been planned for today in a spirit of self-examination and seeking a fresh perspective. Today, more than at any time in recent years, it is so opportune that we gather together in this spirit for a fresh look at the broadening horizons of industrial advertising.

I have an intense interest in this whole great field of industrial advertising. I firmly believe that it has moved along with the other functions of distribution, into an era during which it will assume far greater importance than ever before in over-all company planning. I have a deep conviction that industrial advertising people who will reach for the opportunities inherent in this new set of economic conditions, who will constantly put their thoughts to the test of the management viewpoint, who will build soundly on more and better facts, who will exercise ingenuity and hard driving efficiency, face right now and greatest chance they have ever had to increase their stature and achieve all that goes with it.

*Keynote address by Mr. Winslow before the Annual Conference of the Industrial Advertising Association of New York, New York City, April 5, 1954.

NSTA Corporate and Legislative Committee

R. Victor Moseley of Stroud & Company, Incorporated, Philadelphia, Chairman, Corporate and Legislative Committee of the National Security Traders Association, Inc., in announcing the full membership of his committee for 1954 requests the cooperation of all N. S. T. A. members in a constructive effort. Any of the following committee members in addition to Mr. Moseley will cooperate.

J. Newton Brewer, Jr., Rouse, Brewer & Becker, Washington, D. C.

Walter Mason, Scott, Horner & Mason, Lynchburg, Va.

William J. Burke, Jr., May & Gannon, Inc., Boston, Mass.

J. Wilmer Butler, Baker, Watts & Co., Baltimore, Md.

Stanley L. Roggenburg, Roggenburg & Co., New York, N. Y.

Joins Merrill Lynch Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga. — Mrs. Ellene M. McGehee has become associated with Merrill Lynch, Pierce, Fenner & Beane, 101 Twelfth Street. Mrs. McGehee was formerly with Courts & Co.

With White & Co.

(Special to THE FINANCIAL CHRONICLE)

BLOOMINGTON, Ill.—Clarence O. Miller is now with White & Company, Corn Belt Bank Building.

European Payments Union in Danger

By PAUL EINZIG

Noting the European Payments Union agreement is due to be renewed at the end of June this year, Dr. Einzig points out weaknesses in the present arrangement that puts it in danger of abandonment. Points out deficit member countries have failed to correct their adverse balances of payments, and asserts it is not likely surplus countries in the Union will collaborate towards creating an equilibrium.

LONDON, Eng.—While the efforts made towards consolidating the military and political links between the sovereign states of Western Europe receive much attention, it is not generally realized that the existing special regional monetary and commercial links between them are in danger of being weakened or even destroyed. For years there has been a high degree of multilateral trading between the countries of Western Europe as a result of the operation of the European Payments Union. Under this system surpluses and deficits on intra-European trade have been settled through a clearing arrangement worked by the E.P.U. Each participating country had a quota up to which it was entitled to settle its adverse balances through being debited with the amount by the E.P.U. Each country was under obligation to accept payment up to their quotas in the form of credit balances with the E.P.U. Payment was made in gold to the extent of 50% of the deficits when the debit balance exceeded the quota. This description is admittedly an over-simplification of a very involved arrangement, but it suffices to indicate the basic principles on which the system operates.

Dr. Paul Einzig

During recent years Western Germany, Belgium and some other countries have been accumulating large credit balances with the E.P.U. as a result of their export surpluses in relation to the rest of Western Europe. On the other hand, Britain, France and some other countries had adverse balances on their intra-European trade and their accounts with the E.P.U. shows large debit balances. There have been some repayments in gold on the basis of the rules of the E.P.U., but their debit balances appear to have become perpetuated.

The E.P.U. agreement is due to be renewed by June 30, 1954, and negotiations have been conducted for some time by the Managing Board of the E.P.U. in Paris about the terms on which the participating governments are prepared to continue their adherence to the system. These talks appear to have reached a deadlock. For the governments of the surplus countries—especially Western Germany and Belgium—are not prepared to agree to a renewal on the basis of the existing terms. They have grown tired of accumulating credit balances with the E.P.U. and insist that they must receive a larger proportion of payments in gold than under the existing arrangements. They proposed to the Managing Board two alternative solutions: Under the first the payments in gold of current deficits should be raised from 50 to 75%. Under the second deficit countries should repay in gold any debit balances which have been outstanding for more than two years. They feel particularly strongly against the "freezing" of these balances. Their argument is that the E.P.U. was never intended to be an institution for granting and receiving long-term loans. Its object is to assist participating countries in their temporary balance of payments difficulties.

The British view, shared by other debtor governments, is that any increase of the proportion of gold payments, whether in the form of current monthly payments or capital repayments, would basically alter the entire character of the system. The idea behind the E.P.U. is that it should enable the participating countries to trade with other participating countries without having to impose import restrictions for the sake of safeguarding their gold reserves. If some participating countries accumulate under the system excessive credit balances the remedy is largely in their hand. All they have to do is to encourage imports from other Western European countries, or to abstain from stimulating their exports to those countries. In this latter respect Western Germany is particularly active. By resorting to various devices she has been expanding her sales to the Sterling Area and to various Western European currency areas. Her large and growing surplus with the E.P.U. is largely the result of this export drive.

While the deficit countries are to blame for having failed to pursue policies which would correct their balances of payments, surely it is not too much to expect the surplus countries to collaborate towards the end of restoring equilibrium. Their reluctance to increase their credit balances with the E.P.U should stimulate them to be "good creditors" by importing more or exporting less. Should the proportion of payment in gold be increased it would provide an inducement for them to aim at an increase of their export surpluses rather than collaborate in their reduction.

As a British negotiator put it, "You cannot expect to have both gold and multilateral trade." If the surplus countries insist on larger gold payments it might lead to a breakdown of the whole arrangement. Or it might force Britain and other countries with a debit balance to endeavor to correct that balance by means of reimposing the quantitative import restrictions they removed recently.

There is, of course, much to be said in favor of liquidating the past by repaying the existing debit balances. After all, the figure of the gold reserve does not present a true picture of the gold position of the countries concerned so long as they owe large amounts to the E.P.U., and, for that matter, to the International Monetary Fund. The repayment of these debts would make heavy inroads into the British gold reserve, but this would be all to the good, because the slow but uninterrupted increase of that reserve has generated false optimism leading to unwarranted wage demands. The trouble is that, should Britain repay its debit balance with the E.P.U. this would encourage Western Germany and other beneficiaries of the transaction to aim at a larger export surplus in the hope of being repaid eventually once more in gold.

A solution would be if Germany were to use her credit balance with the E.P.U. for accelerated redemption or repurchase of her long-term debts in Britain and other Western European countries. But there appears little likelihood of such a solution. Yet some formula must be found between now and June 30 in order to secure the continuity of the E.P.U. Its maintenance is of importance not only from an economic point of view but also as one of the means of strengthening Western European unity in face of the common danger.

Reveals a Study Program for Industrial Reactor Development

Morehead Patterson, Chairman of the Board, American Machine & Foundry Company, reveals Atomic Energy Commission has accepted his company's proposal to undertake, along with 11 other prominent corporations, a "study program" on industrial reactor development.

In the course of an address at the Second Annual Banquet of the American Society of Tool Engineers in New York City on April 6, Morehead Patterson, Chairman of the Board of the American Machine & Foundry Company, announced that the Atomic Energy Commission had just accepted his company's proposal to undertake in conjunction with other interested concerns a "study program" on industrial reactor development. "Along with 11 groups composed of such prominent American corporations as the General Electric Company, the Dow Chemical Company, the Detroit Edison Company and the Monsanto Chemical Company, the American Machine & Foundry Company has contracted with the Commission to participate in a study of reactors and reactor equipment related to industrial atomic energy applications, Mr. Patterson stated. "We expect to hear the direct cost of this study which will run to at least a hundred thousand dollars a year."

Continuing, Mr. Patterson said:

"We at AMF believe in the atom's peace time future and we are engaged in a broad program of engineering development. For instance, we are designing a research reactor on a building block principle, a nuclear mechano set if you will, to make such reactors flexible and versatile and able to satisfy a wide variety of requirements. We believe, you see, that nuclear reactors and nuclear package power plants are in the immediate future of the 'American State of Mind.' The quicker, therefore, that they are standardized, the quicker their industrial use will become general.

"Nuclear package power plants are needed in many remote areas of the world. Think of what electric energy could do for ore-rich countries, where there are no water falls, no supplies of coal, oil, or even wood. Nuclear package plants can compete with conventional plants in these areas today. There is no question in my mind that nuclear power plants will compete commercially with conventional power plants anywhere in the near future.

"Now as you know, there is a by product of atomic power which is already of great practical value to humanity. These are the radioisotopes, and they have many uses. Radiosodium, injected into the blood stream is of vital use to doctors studying the treatment of circulatory deficiencies. A radio active isotope of iodine is, in wide use in the diagnosis and analysis of thyroid gland diseases. Isotopes are used in many ways in agriculture, to show, for instance, how much fertilizer is actually taken up by a plant. Tiny invisible amounts of radio-active materials can be used to run control checks on the chemical composition of huge batches of molten steel, or to measure and control the thickness of tissue thin plastic films. They can be used to determine the rate of flow of liquids through long pipe lines. Petroleum scientists use radi-carbon to study the fundamental and very complex processes which take place in the big cracking units where gasoline is produced.

"In addition to applications that we can foresee today we are convinced that the number which will emerge in the future is practically without limit. I do not know, whether an American housewife will ever run her washing machine with an atomic battery. However AMF wants to be there with the tools to make the washing machine and also the battery when the time comes.

"Yes, we want to be prepared. That is why we are exploring industrial atomic energy to the fullest, so that we may accurately evaluate and anticipate, the 'American State of Mind.'

"Atomic energy is a slave which, if we have the wisdom, we can control and command.

"I believe that there lies before us a golden age of progress and prosperity. We hold it in our hands to win a crowning victory for human progress throughout the world. We will be prepared for this if we study and comprehend that fabulous thing—'The American State of Mind.'"

Management Training Course Offered

LONDON, Ont., Canada — The Seventh Session of the Management Training Course will be held from Aug. 2nd to Sept. 3rd, at the University of Western Ontario.

The course is designed to assist business in training executives. Admissions are governed by a committee of businessmen and university officials. Since class members are selected so that they represent a cross section of Canadian industry, it is necessary to limit the number from a company, type of industry, and particular part of the country.

Representatives from the investment business have attended the past three sessions and have been enthusiastic about the course. Applications should be addressed to Walter A. Thompson, Director, by May 15, 1954.

High Schools

By ROGER W. BABSON

Mr. Babson answers criticisms regarding his views on education, and advocates high standards and more discipline in schools. Says aim of teachers is to be popular by giving high grades to students, and blames teacher's laxity for difficulty of high school students to get good jobs.

My recent article on education brought a heavy correspondence from all over the United States. I want to share with you the two points of view which these letters seem to represent.

Roger W. Babson

One point of view comes from the disciples of John Dewey. One of these disciples, a high school teacher, writes that she is "shocked" to think that businessmen "have no higher ideals or understanding than that of competition." She pleads that "an A achievement may be only a D achievement for someone else," and that it is much better for the individual's development to "work on his own level and compete with himself, working to progress as far as he can." This teacher wrongly says, "A pupil gains confidence only when measured by his own possible growth and not his neighbor's brains." I believe this theory is wicked and unfair to the student who must compete after graduation with all students on all levels.

Of course an A achievement is only a D achievement for someone else; but I am pretty sure the D student can excel in something. Let him find that something and move in that direction. That is where we need guidance from a sympathetic teacher. Let no student be discouraged by work that he finds hard or because he cannot make A grades, too. This is not preparation for life, because life is not like that. One of America's great business leaders today, James F. Lincoln of Cleveland, tells his workers he looks upon them as players on a team. He expects them to play to win, and the minute one of the players slacks off, a substitute will be sent in. There are only a very few places in this world where one can compete with just oneself. If you doubt it, send to Utopia College, Eureka, Kansas, for a free copy of McComb's essay on the crime of present day high schools.

Teachers Don't Dare

A different point of view is presented by another high school teacher, who writes: "We cater to mediocrity. Only lip service is paid to the principle that achievement is the basis for grades. The truth is high schools are constantly dropping their standards. Since students, along with many others in our present society, are not anxious to work for rewards, a teacher finds it expedient to give fairly good marks to all. The good students, in turn, finding good grades come with relatively little work, begin to let up. Then the downward cycle cannot fail to operate in school as in business." Let me add here that 3,725,000 unemployed is good for the nation. Such unemployment supplies the discipline which teachers fail to give.

This teacher finds much of the cause of this difficulty is in the home because too many parents "think that discipline is all right as long as it falls on the other fellow's kids!" The result is that the "would-be popular teacher eases up, avoids issues, and becomes popular by not insisting upon proper standards of conduct or academic achievement." This "easing up" is undermining all industry today and will be a cause of the "big smash" when it some day comes.

The Standards We Raise

Teachers tell me that when they insist upon high standards and enforce them, they may become known as "good" teachers, but "unpopular." The school paper and the yearbook take cracks at them. When such teachers question obvious laxities at faculty meetings, the other teachers smile and refer to them as trouble makers. It is wrong for a principal or school committee to allow this, but then they also want their jobs!

Many good teachers tell me they have ceased being a martyr and have at last seen the light. They say that they get promoted faster by being a good fellow, smiling at students who need discipline and passing all students, whatever their work. This growing habit means much to every reader of this column. It explains why these high school graduates do not get and hold better jobs. This poor training handicaps your children throughout life. It is more than a school problem. You and your family will always suffer from such lack of school discipline. In fact, this "easing up" may be a basic cause of the next business depression when it comes.

Stale Bread on Way Out

Dr. Welker G. Bechtel, Director of Laboratories of American Institute of Baking, tells chemists of progress in keeping bakery products fresh longer.

Dr. Welker G. Bechtel, Director of Laboratories of the American Institute of Baking, Chicago, discussing the progress of research studies in keeping bread fresh longer, before the Carbohydrate Division of the American Chemical Society, indicated that bread, and other bakery products, can be kept fresh longer in the future as a result of research on the problem.

Welker Bechtel

That the nature of the changes which cause bread to go stale is still not completely understood, after about a century of study, is not surprising, Dr. Bechtel explained, since staling has not been defined in objective terms capable of direct measurement.

"The term staling indicates decreased consumer acceptance of bakery products caused by changes other than those resulting from the action of spoilage organisms," he said. "When fresh bread is stored there are progressive changes in flavor, in crumb firmness, in crumbliness, and in feel in the mouth which are readily observed, and which contribute to its gradual loss of palatability. The purpose of studies of staling has been to seek the cause of these changes in order to extend the shelf life of bakery products."

The fundamental test of bread freshness, Dr. Bechtel pointed out, is consumer evaluation, based on such subjective sensory perceptions as feel to the fingers, feel in the mouth, flavor, and odor. The corresponding laboratory test is made by a taste test panel. Techniques developed in recent years for conducting sensory tests assure that the results of such tests, when properly conducted, have reasonable precision and reliability, the speaker explained.

"In our work using a taste test panel of 20 members, we have found that test results can be duplicated, even after an interval of several weeks, with a precision which compares favorably with some physical and chemical analytical procedures," Dr. Bechtel reported.

The study he described was undertaken to obtain direct evidence regarding the role of flour components in the staling process by varying their proportions in bread. Flour was broken down into several fractions—gluten (the protein which makes dough sticky), starch, tailings starch (from the hull), and solubles (salts). Formulas and procedures were developed for making full size loaves of bread using these fractions instead of flour. The bread was required to look so much like ordinary white bread that taste test panel members would be unaware there was anything different about it.

The first problem studied was the effect of crumb moisture content. It was found that after equal storage periods, up to six days, bread of higher crumb moisture content was judged fresher. Bread containing 2% higher crumb moisture than a second bread was judged to be a whole day fresher. The test was repeated with the same result on bread made of flour.

"Hence," Dr. Bechtel said, "it is desirable to produce bread with loaf moisture as near to the legal limit of 38% as is practical."

Bread made of starch and gluten as the only flour components, with the gluten between 11 and 17.5% of the starch-gluten mixture, was "comparable in every way with bread made of flour," Dr. Bechtel continued. For the staling studies, three breads were baked at the same moisture content, one having a protein content of 11% in the starch-gluten mixture, a second 13% protein, and a third 17.2%. These were studied for a six-day storage period.

The three breads were judged equal in freshness from 20 hours through 68 hours, Dr. Bechtel said. After this, differences developed which became pronounced at 116 hours and 140 hours. While the low-gluten bread continued to stale rapidly from 68 hours to 140 hours, the bread of intermediate gluten content staled much less rapidly. The high gluten bread was judged to be just as fresh after 140 hours as at 68 hours.

The researchers concluded that bread staling is caused, in large measure, by two separate processes. During the first two or three days the most important single change is increasing firmness of the bread as the soft part of the starch—the gel—becomes more rigid. After the third day, the bread became harder because of the loss of moisture from the gluten.

Seaber to Manage New Goodbody Co. Branch

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Goodbody & Co. has opened a branch office at 14 Northeast First Avenue, under the management of Alfred M. Seaber. Mr. Seaber was formerly Miami manager for A. M. Kidder & Co.

No Prolonged Recession in Sight: Motley

President of Parade Publications, Inc., says 1954 should be good for business, for labor, and for agriculture. Cites 10 current factors in our economy, and advocates broader ownership of securities.

Neither a big depression nor a deep or prolonged recession is in sight for the United States, according to Arthur H. Motley, President, Parade Publications, Inc., New York, who addressed a luncheon meeting of the 18th Annual Conference, Central States Group, Investment Bankers Association of America, in Chicago, April 1.

Arthur H. Motley

The 1954 year should be good for business, for labor, and for agriculture, Mr. Motley said, in citing ten current factors in our economy which should contribute to a continuing high level of performance:

(1) The continuance of high level employment.

(2) Peak national income in 1953.

(3) Disposable income continuing at historically high levels.

(4) Highest profits in history in 1953.

(5) The certainty of lower taxes in 1954.

(6) The accelerated pace of research and development which, in a shorter space of time, is bringing new and improved products and services to the American consumer. (Mr. Motley pointed out that it was not only the lead time in airplanes and tanks that had been reduced, but the lead time to the consumer had been similarly reduced in the consumer goods field.)

(7) The accelerated increase in population. In citing this as a factor, Mr. Motley told his audience that the population increased 8 million in the '30s; 19 million in the '40s; and would increase 28 million in the '50s.

(8) A better distribution of income to all in America. In the speaker's opinion, this did not come about because of a graduated income tax. Mr. Motley said, "This argument is pure political bunk. If the government taxed all the income away from the high income group, it would mean nothing in the mass market. The real reason we will have a better distribution of income, and therefore a broader base for the sale of our goods and services, is because we have high employment and high wages."

(9) The increased volume of liquid assets in the hands of the American people. Mr. Motley warned his audience not to be confused by the fact that consumer credit is at an all-time high. He pointed out that consumer credit is not at an all-time high in proportion to national income. He urged business to continue to use credit to increase production and sales, pointing out that the vast majority of the people who owe money also possess liquid assets far in excess of their debts.

(10) In making the last of his 10 points, Mr. Motley stated that apparently the American economy no longer behaves as it did in the depressions of the '30s, the '20s, and in 1907. He said, "In those periods all segments of the economy were depressed at the same time and the resultant actions were severe. Today, the American economy has what I would term an ability to make 'rolling readjustments.' Even though certain segments of the economy may go through severe periods of distress, they can stabilize themselves and are soon on their way again."

Stressing the importance of a freedom very seldom referred to or thought of, and one which is possessed by very few people in the world other than the people in the United States of America, the New York publisher said, "This is the freedom to participate in the economy—in the operation of business no matter how large—by all segments of our economy, no matter in what income level those segments may be." He stated that in recent years the American public has begun to use this freedom, and not in the sense of speculations in the markets of the country for a fast dollar.

Mr. Motley noted that it has long been the belief of sound business leadership that the United States would be far more stable—politically, socially, and economically — if more of our citizens owned a piece of the United States in the form of stocks or other securities representing the businesses of America. He said, "A solid, consistent attempt to sell more individuals on buying more of an interest in their own country is the greatest contribution that can be made to our future strength and stability. Mutual funds, operated soundly and wisely by experts in the field—the plan to permit stock purchases on the installment plan—are the beginning part of this program of mass participation in our economy by people in all walks of life."

Stating that nothing happens until somebody sells something, Mr. Motley said that this important fact was more true in the field of investment selling than in any other sales field. "Surveys have always shown a desire on the part of our people to own a piece of our economy, but the purchase of stocks for investment has always been, and still is, too difficult for too many of our citizens. There is a challenge to all who offer investment opportunities to make it easy for the American people to buy a stake in their own future."

"In order to do that," he continued, "these opportunities must be offered for sale in more places and by more salesmen. Good honest selling will have to ring more doorbells to make people want what the leadership of America has long known they need — a feeling of participation in what is going on in our business economy."

Mr. Motley told his audience that because of the current favorable economic factors, the field for investment selling is wide open. He stated that in his opinion this widespread participation by the public in investment opportunities in American business would do more to stabilize the American economy and iron out the cyclic swings than would any government program, however good or extensive.

Concluding his address, Mr. Motley said, "Everyone recognizes the importance of the psychological factor which in the past has governed the size and the depth of depressions and recessions. That psychological factor is still present and will always be with us. But public ownership of blue-chip securities which usually pay dividends even though the market value of the stock may fluctuate, can be a very important thing in offsetting the fear psychology which is usually touched off by a drop in market prices or a drop in commodity prices such as we have just seen in recent months."

Consumer Credit—Infinite Power for Good or Evil

By RAYMOND RODGERS*
Professor of Banking,
Graduate School of Business Administration,
New York University

Asserting it is unfortunate that consumer credit is so little understood and so much misunderstood, Dr. Rodgers points out advantages and evils of this field of finance. Points out heavy responsibility of bankers as grantors of credit in this field, and holds it is imperative consumer credit should be expanded, since our most basic economic problem is to increase consumption. Reveals his views on how consumer credit can be expanded safely.

America's fantastic ability to produce is recognized throughout the world as a modern miracle. We not only produce more food and goods per person than any other country; we continually strive to produce still more and more. Far too little recognized is the even more important contribution of distribution to our economic strength. Literally, the miracle of American production has been made possible by the miracle of American distribution. Although the vast outpourings of our unprecedented production facilities are distributed more equally among our people than in any other country, we continually strive to put more and more food and goods into the hands of more and more people, including millions beyond the seas (even if we have to give it to them!).

Raymond Rodgers

You gentlemen of consumer credit finance the rolling chariots on our highways, the flying cabins in our skies, and the uniquely American gadgets of convenience in our kitchens. Your instalment financing is a prime mover and basic contributor in the creation of the huge market on which our prosperity depends.

Who's Afraid of Consumer Credit?

Although there is a close relationship between the use of consumer credit and the standard of living of a country, and although consumer credit has long since been the American "way of life," there are still those who have secret misgivings about it. Even though they reap rewards without end from the widespread use of consumer credit, they have no real faith in it! It is indeed unfortunate that this is a field which is so little understood and so much misunderstood.

You remember the economists who for more than a hundred years condemned consumer credit as being a "detriment to the source of wealth"! You remember the reluctant lenders of 30 years ago who blasted consumer credit as being "so injurious to public morals as to be wicked and reprehensible"! You remember how a high officer of a great sales finance company, at this very Conference last year, "viewed with alarm" your lending on automobiles; how he termed some of your instalment lending plans "nonsense," and asked "What's next?"!

Today, there are those, even among the lenders, who believe that the total consumer debt is too high, even though it is less than 5% of total debt and less than 10% of private debt.

*An address by Dr. Rodgers before the National Instalment Credit Conference of the American Bankers Association, Chicago, Ill., March 24, 1954.

Today, there are those, even among the lenders, who feel that consumer credit is too high because the total has reached the prewar ceiling of 1940 of 11% of disposable income after taxes, even though it is little more than half its peak prewar relationship to discretionary spending power (i.e., the amount of disposable personal income remaining after taxes and after 1940 per capita standard of living expenditures for food, clothing, and shelter at today's prices).

Today, there are those, even among the lenders, who feel that consumer credit of $30 billion is too high because of the burden of mortgage debt of $65 billion on one- to four-family houses. Without in any way conceding that consumer credit should be held back merely because mortgage credit went ahead, the fact is that such a comparison is misleading. In 1939, 41% of the dwellings of this country were owner occupied; today, it is 60%. We have had a veritable revolution in home ownership as a result of the utilization of instalment financing in the mortgage field. These homes have been sold on the basis that it is cheaper to own than to rent; that all monthly payments including the mortgage are no greater, and often are less, than monthly rent.

Although such home owners cannot reduce their financial burden by moving to cheaper quarters as renters can, the fact remains that such mortgage debt does not increase their financial burden except to the extent that the monthly payments are greater than rent would be. So long as it is merely a substitution of one fixed charge, mortgage debt service, for another fixed charge, rent, there is no increased burden against which a valid comparison can be made!

I could go on for an hour with other figures to which some one is pointing with alarm, but why waste time? You can scare people, especially credit practitioners, with figures to prove a conclusion after a one-semester course in statistics. In fact, some people are so bright they can do it even without such a course! But it takes honest effort and objective thinking to dig out the real truths figures can reveal.

So, let me just say that, in my opinion, you have by no means reached the top limit in the utilization of instalment credit. Twenty years from now, you will look back and wonder how you could have been so slow and hesitant in developing the full potentialities of consumer credit!

Responsibility of Credit Grantors

Nearly one hundred years ago, the great Daniel Webster said: "Credit has done more to enrich mankind than all the gold mines in the world. It has exalted labor, stimulated manufacture, and pushed commerce over every sea!" In the same fashion, today consumer credit has an infinite power for good, or for evil.

The responsibility of credit grantors in this field is indeed great. Their actions directly affect sales volume throughout the field of distribution. In addition, their actions, especially today with such a large proportion of consumer credit extended directly or indirectly by commercial banks, affect the volume of what the economist calls "the means of payment." In the words of William McChesney Martin, Chairman of the Federal Reserve Board: "A substantial part of the consumer credit outstanding is financed either directly or indirectly by bank loans. . . . The expansion and contraction of consumer debt . . . is a significant factor in fluctuations in bank credit and the money supply." Consumer credit has, in fact, become one of the most important areas in our entire credit structure, as the decisions made in this field affect not only the distribution of goods but also the volume of bank deposits.

Consumer credit in America is more than the mortgaging of future income to produce current satisfactions, or a flow of future satisfactions. It is, as a practical matter, our only way to keep those satisfactions flowing in large volume. So, don't try to put America on a cash basis — our economy just isn't built that way!

Consumer Credit Should Be Expanded

There are those who say that consumer credit has made great contributions to our welfare in the past, but that it should not be expanded further lest consumer credit, the servant, become consumer debt, the master. In reply, I say to you that it is not only desirable to expand consumer credit, it is imperative!

Consumer credit must be expanded if we are to avoid what I call "goods inflation." In other words, an excess of goods in relation to demand is inevitable unless we expand and deepen our markets. In short, our most basic economic problem is to increase consumption so that we can keep our greatly expanded production facilities busy. For example, it has been said that our automobile industry could produce 10-million cars a year, but that the new car market can absorb only about half of that quantity under present conditions. Obviously, if we are to achieve the highest standard of living our competitive capitalism can produce, such unused capacity and similar capacity in other lines, must be fully utilized.

Consumer credit aids in such utilization as it reduces the postponement of postponable demands. It is thus indispensable in a country with such a large proportion of optional buying. Nothing could be more serviceable in getting people to live better and consume more. In view of this, we can derive real encouragement from the assertion of Thomas B. McCabe, when he was Chairman of the Federal Reserve Board, that "instalment financing is subject to a growth force that is basic and persisting and is becoming a more important element in the economy."

Consumer credit must continue to expand to meet the needs and aspirations of consumers. Otherwise, unsatisfied demand will develop and the government may move in, as it has in mortgage credit.

Consumer credit must continue to expand to keep nonbanking intervention to a minimum. The whole history of consumer credit, even in America where it has had its greatest development, has been too little, too late! Demand on the part of our people for consumer credit has always been ahead of the lenders. This in indicated by the continued entry of new lending agencies, until now even the credit unions hold over $1 billion of the $21.5 billion of consumer instalment debt. This is 10 times the amount they held in 1939; and they are looking for more business! In fact, a credit union is described in February "Reader's Digest" as a bank which specializes in bad risks; and the article implies that real banks don't take risks, which I am sure will be news to most of you!

In the days ahead, as sales resistance increases, intervention by manufacturers will become even more widespread. Manufacturers know that credit is an all-important factor in sales at both the dealer and the retail levels. As an indication of what may be expected, consider the announcement of Westinghouse Electric Corporation earlier this month that a $10 million subsidiary credit corporation would be organized to help its appliance and radio-television dealers "obtain inventory and retail sales financing in areas where credit facilities are inadequate"!

The pressure for consumer credit expansion can be summarized in this fashion:

The manufacturers want it.
The consumers want it.
The general public wants it.
The Administration wants it (in fact, President Eisenhower has urged unrestricted consumer credit).

Let it not be said that lenders did not prove equal to this demand!

How Can Consumer Credit Be Expanded Safely?

Consumer credit expansion would be advantageous and sound for both lenders and borrowers. Now this does not mean overloading present borrowers; nor does it mean an open-door policy for deadbeats; nor, above all, does it mean nursing borrowers who do not show proper regard for their obligations. On the contrary, the current slow downward trend of business makes it inadvisable to postpone what you feel you have to do in such cases. As you know, in a business readjustment, good credit, relatively speaking, gets better; but poor credit gets worse. So, the sooner you separate the sheep from the goats the better.

How can consumer credit be expanded safely?

Lenders should be able to lend more safely because they now know a great deal more about consumer credit. More knowledge and more experience should keep them from getting jittery and reducing volume as some lenders did at the beginning of World War II. Expanding consumer credit extension, as a practical matter, is largely the problem of closing the gap between what a man is entitled to and what he needs. With growing experience, both lending officers and borrowers become more skillful in raising this entitlement. To increase volume, this is the point to attack.

Greater stability in our economy, the responsibilities assumed by our government under the Employment Act of 1946, and increased social security all make consumer credit extension safer than in the past—and it must not be forgotten that the loss record of experienced lenders in the past was unbelievably good.

The main reason why consumer credit can be expanded safely is the great increase in real income of our people. Measured in dollars of constant purchasing power, income per person is almost 50% greater than in the late '20s, and is even up 12% since 1947. Putting it another way, in 1929, a boom year, only one-third of our family units earned more than $3,000 a year in today's dollars. In striking contrast, today, nearly two-thirds of all family units earn more than $3,000 a year. But quantitatively, today 32 million families earn more than $3,000 a year; in 1929, there were only 12 million families earning more than $3,000 a year, and that only after revaluing their income in terms of the 1954 dollar.

With such income levels, and half of our family units, according to the Consumer Finance Survey of the Board of Governors of the Federal Reserve System, using no consumer credit whatever, the possibility of further expansion is obvious.

New customers to be served, new articles to be financed, and new methods to extend more credit safely make the future of consumer credit very bright for those with courage and vision.

With business slowing up, the present is indeed a time for vision! Remember, consumer credit is not new. It has been tested in the fires of adversity. Regardless of business trend, the credit needs of the consumer must be met.

Phila. Bond Club Changes Outing Date

PHILADELPHIA, Pa. — W. W. Keen Butcher, partner in Butcher & Sherrerd and Chairman of the Outing Committee of the Bond Club of Philadelphia, announced that the annual Field Day of the Club has been changed from Friday, Sept. 24 to Friday, Sept. 17.

The outing will be held at the Huntington Valley Country Club, Abington, Pa.

Howard Bouton to Be Partner in Verace

Howard R. Bouton on May 1 will be admitted to partnership in Verace & Co., 52 Broadway, New York City, members of the New York Stock Exchange. Mr. Bouton was recently with Sutro Bros. & Co. in the foreign bond department and prior thereto was a partner in Roggenburg & Co.

On April 30 Joseph Weinberg will withdraw from partnership in Verace & Co.

Lester, Ryons to Admit Scott as Partner

LOS ANGELES, Calif.—Charles C. Scott will become a partner in Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges, on April 22. Mr. Scott has been with the firm for many years.

Two Partners for Oppenheimer Firm

Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York City, members of the New York Stock Exchange, on May 1 will admit Stephen A. Lieber and Gerard A. Wertheimer to partnership. Mr. Wertheimer is manager of the firm's research department. Mr. Lieber has been associated with them for a number of years.

Sartorius Co. to Admit Milton Levine to Firm

Milton Levine will become a partner in Sartorius & Co., 39 Broadway, New York City, members of the New York Stock Exchange, on May 1. Mr. Levine has been with the firm for many years and is in charge of the uptown office at 1422 St. Nicholas Avenue.

To Form Schatz Co.

Sydney S. Schatz will acquire the New York Stock Exchange membership of the late Bernard L. Mensch and on April 22 will form the New York Stock Exchange firm of Schatz & Co., with Leah L. Mensch as limited partner.

Our Period of Decision

By CLIFFORD F. HOOD*
President, United States Steel Corporation

In discussing "the years of our fathers" and their moral, ethical and political principles, Mr. Hood points out the task ahead of us, a hundred and seventy-eight years later, is to reestablish that same understanding of self-control, self-direction and self-reliance. Sees need of reviving individual initiative and freedom. Says it is time we took a little more interest in sane living and exercised more religious leadership by both precept and example.

Several years ago a friend of mine visted a lodge in Canada which is famous for a local guide who has the uncanny knack of finding birds and other small game. A clergyman from this country was visiting the lodge at the same time, and was naturally anxious to get a few birds in the short time he could spare. The guide was trying his best. For two days they tramped the woods together, but returned empty-handed each time. On the evening of the second day, as the guide's wife was fixing her husband a cup of tea, she said, "Is the parson a good shot, Pierre?" "Well," he replied, "I wouldn't say he was a **bad** shot, but it is amazing how the Lord protects those birds whenever he points his gun at them."

Clifford F. Hood

We have been doing a lot of hunting in this nation, during the past few decades. We have been hunting the answers to some very vital questions and problems—some economic, some spiritual. And it is amazing to me how the Lord has protected our liberties, our personal freedoms, our opportunities for individual happiness from shotgun blasts of misguided progressive thinkers who tried to make a religion of secularism and governmentalism. But I wonder how long He will continue to protect us from ourselves.

It is quite probable that historians will call these present times a period of decision. We seem to have reached a plateau in our national history—a time of taking stock of our past accomplishments, a time for realigning our sights on the goals which still lie ahead. Many of the seemingly brilliant short-cuts and liberal ideas attempted during the past generation are badly tarnished already. To some of our citizens, the effect is one of disillusionment.

The Years of Our Fathers

Out of the great mass of social, political, economic and spiritual issues at hand, there emerges a national situation quite similar to that which existed in the years immediately following our birth as a nation. Then, as now, there was inflation and there was substantial government debt. There were social inequities and political jealousies. There was uncertainty, doubt and confusion in the minds of many people. And in some quarters, then as now, there was a strong demand for a powerful central government.

But outside the doors of Independence Hall, down the streets of Philadelphia and out across the land, there was also an atmosphere of hope and impatience to "get on with the job." There was a great and urgent need for manufactured goods. The population of the country was expanding rapidly and new homes, new cities, more of everything was needed. That was America in the late 1700's, and in many respects, that is America in 1954.

Those who took the reins of leadership at the founding of our nation were individuals whose roots were planted in sound institutions, such as the home and family, the church, the principles of constitutional government and genuine, down-to-earth common sense. Representatives in government were motivated, for the most part, by patriotism and faith in the ability of men **to use, and not abuse**, their freedom. Men of commerce and industry were motivated by a desire to make private capitalism a living, working, growing system. Individuals were motivated by the spirit and dynamic promise of their new-found freedom.

In every aspect of life, men who guided and set standards were devoted to a set of ethical and moral principles that had their beginning in the bedrock of religious training. It was not a question of what was legal, but rather what was right. In one's home, in his business and in his government, there was only one set of moral values to decide any matter. Every question was measured against a single standard which distinctly separated the just from the unjust. This standard was in strict keeping with the principles laid down by the founding fathers, who believed and had stated that what is morally wrong, is also politically and economically wrong.

One does not have to read too deeply into the writings of Jefferson, Adams or Washington to know that they believed that the sole purpose of organized religion is the betterment and final adjustment of the individual. They knew that no governmental system, no police system or set of laws can fashion and completely control the conduct of a nation, regardless of its size. National morals, national ethics have their basis in the individual and how he is prepared for a responsible life. They knew that he must come to maturity equipped with self-control and self-discipline gained through sound religious training. Another way of putting it today is that the individual must enter adult life with the moral equivalents of a steering wheel, brakes and speedometer.

Of Thrift and Integrity

The task ahead of us, one hundred and seventy-eight years later, is to reestablish that same understanding of self-control, self-direction and self-reliance. As a member of American business, I would be among the last to deny that our spectacular progress in the areas of technology, research and manufacturing techniques has not contributed to a betterment of mankind in a true Christian manner. But as a citizen of this land, vitally concerned with its continued success, I would be among the first to renew, encourage and vitalize the spiritual side of our life to match the phenomenal growth of our material resources.

What has become of the goals that our nation aspired to for so many years and which were considered fundamental to stability of character? What has become of thrift, for instance? We emphasize its virtues to our young people and our fellow citizens, and then permit our Federal government to plunge the nation into a debt that presently averages some one thousand, six hundred dollars for every man, woman and child. What has become of integrity? We operate our businesses on the principle that honesty is one of the first prerequisites for every member of a business enterprise. Yet political expediency is accepted as a "necessary evil."

Of Initiative and Freedom

What has become of our belief and faith in individual initiative? When I was a youth attending Sunday School in a small country church in Illinois, one of the earliest lessons I recall was based on the parable of the talents and the "good and faithful servant." I remember how impressed I was with the significance of that story, and it always seemed to me that it had special meaning for the people of this land. In the hurley-burley of today's heedlessness, however, one would almost wonder whether the present generation ever heard of this parable, and whether personal initiative is still a desirable virtue. More often than not the modern hero is prone to be the "slothful servant" who buries his talent because he is worried about what he calls "security." The world progressed for centuries in the Biblical principle of "seek and ye shall find," and the moments of retrogression recorded in history were those periods when this principle was forsaken by the people for one which said, "Sit down and I will bring it to you."

What has become of our belief in the inseparability of religion and freedom? The religious convictions of our forefathers found expression in the government they established and set in motion. "All men . . . are endowed by their Creator with certain unalienable rights . . . among these are life, liberty and the pursuit of happiness." Yet many of our citizens would trade these God-given rights for a mess of pottage they have never seen.

A great number of our citizens are faithful members of the church of their choice. In many instances, they are students of church and Biblical history. They practice daily reading of the Bible and commit sections of it to memory. But I often wonder if they are fully aware that the same freedom which permits them to enjoy the religion of their choice, is the same freedom they stand to lose under collectivism. Christianity and freedom have come down to us as though they were one unit, yet how many individuals who can recite the Twenty-third Psalm have ever explored the soul-effacing theories of "Das Kapital"? How many are familiar with the philosophy and theories of John Maynard Keynes, the British economist who has so influenced our economic reasoning in recent decades? Familiarity with such perverted thinking soon brings one to realize that you cannot reconcile Communism with Christianity, that there is no similarity between the parable of the talents and Keynesian economics.

"If America is to be run by the people," as Herbert Hoover has said, "it is the people who must think. And we do not need to put on sackcloth and ashes to think. Nor should our minds work like a sundial which records only sunshine. Our thinking must square against some lesson of history, some principles of government and morals, if we would preserve the rights and dignity of men to which this nation is dedicated."

Achieving Moral Awareness

An associate was telling me recently of a 12-year-old boy who wrote to the Library of Congress and requested two books, one on sane living and the other on space travel. The boy concluded his letter by saying, "If I can't have both books, please send me the one on space travel, for I am more interested in that." There is a boy who mirrors his times. The eyes of the nation are on the stars, while we have yet to achieve an understanding of earthly human virtues, and especially how to live together.

But it is time we took a little more interest in sane living. It is time we turned from the telescope to the microscope of introspection. Our future progress may well depend not so much upon our productive and technological genius, but rather, upon our moral awareness—how we use what we have individually, how we apply our economic strength individually to our spiritual growth. And as the nation turned to men of moral courage in the last quarter of the Eighteenth Century, so it turns to its churches, its clergymen and its Christian laymen in mid-Twentieth Century. Our Creator gave us Christianity and freedom as inseparable parts of the whole. We must be trained spiritually, and preferably through our churches, so that when we reach maturity we will be equipped, so to speak, with brakes, a steering wheel and a speedometer. Being so adjusted we will not go speeding irresponsibly down the highway of life menacing the lives, well-being and possessions of our fellow citizens.

The World About Us

The proof of the inseparabilty of Christianity and freedom surrounds us on all sides. Wherever freedom has retreated before the onslaught of Communism or its equivalents, the actual practicing of Christianity likewise has lost ground. Eastern Europe is a Godless realm, engulfing millions of people, previous generations of whom were God-fearing and resolute in their convictions. Western Europe teeters and totters on the edge of a precipice from which there may be no return. In China, where two thousand missionaries, even as late as 1949, were winning minds to Christianity and teaching the value and dignity of the individual, suppression is just about complete. Still far from our shores, but yet a little closer than China, stands North Korea where there were some six hundred thousand Christians. It is estimated that more than 80% of the native pastors have "vanished" and most of their churches have been destroyed.

Yet while Christianity is suppressed in communist-dominated lands, it continues to grow in our nation.

Religion—Your Business

Religion, in many respects, is like a business commodity. In business our principal concern must be quality, for that is the only means of making "steady customers." In religion, too, it is quality that matters. The quality of our religious teachings today, while commendable, has not as yet drawn those who religiously avoid Sunday worship. It may be that this group needs this insight more than the faithful. I am certain that Bishop Pardue and his colleagues will agree that the market is more competitive than perhaps at any other time in our history.

There are a number of old and shop-worn products on the market today, which have been refurbished for a new trade. The greatest of these competitors is secularism with its many by-products. But all the trickery of its present peddlers cannot hide the fact that secularism is still the same product that leads to spiritual and material bankruptcy. The maintenance costs, of course, are more than the average man can afford, and he cannot depend upon it in an emergency. Neither does it ever lead to security as measured by peace of mind.

I could not recommend this product called secularism but at the same time, we cannot ignore its inroads into today's moral market. From our religious institutions must continue to come a far superior product. It must be a product of exceptional ability and endurance which prepares individuals to be Christians fully capable of applying Christianity to their individual and group activities. The Christian church has a superior quality in its product and every human being is a potential customer. All of us need this product and to bring its blessings to those who have denied themselves may require on the part of all of us more zeal and imagination in the marketing of it.

Religion in Life

At Philadelphia's Episcopal Hospital, for example, religion is being used hand-in-hand with medicine and surgery. Through the Chaplain service in practice there, basic Christianity is helping individuals to dissolve fear and to gain the faith one needs for a rapid recovery of good health. It is an excellent example of the fundamental value of religion to life.

Three or four months ago an article in one of the national business periodicals discussed the present emphasis being given to religion by the businessmen of the nation. It was pointed out that much of the impetus for this so-called revival is to be found among the businessmen of Pittsburgh. This was especially pleasing to me, for one naturally likes to see his local business associates being recognized for leadership in such an important activity as this.

Of Churches and Challenges

It is encouraging to realize that these are only two examples of the many which might be mentioned. This nation, however, is a vast and many-sided land. Its 280,000 churches comprise the finest equipment for producing this superior product of religious inspiration. But what the Christian religion needs today is more effective merchandising and this will call for a greatly expanded sales force. As a member of the steel industry, I can give it to you on good authority—you may have excellent facilities and you may have a product of superior quality, but gentlemen, you cannot succeed unless you get out and sell as individuals. You can't leave the job to the clergy alone.

I believe that as God called upon Isaiah of old, so He calls today upon the laymen of our churches. The Christian religion needs champions that are dynamic, forceful and unremitting in their efforts. It needs salesmen who believe in their product and who possess qualities of leadership developed to their highest point in the pursuance of one's daily activities. It needs men with know-how who can introduce this product of fundamental Christianity into every heart, every mind, every aspect of modern living.

Isaiah's job, therefore, has become your job and the job of every individual possessing the fire and the enthusiasm and the ability of the true salesman. You men of business, you young people with determination and vision and ideas can find in this selling job a challenge that will more than match any other you might undertake.

By Precept and Example

Someone has said: "One man with courage is a majority." Think with me on what each of you could do by precept and example. Suppose we were to measure the potential of this gathering here this morning against some of the greatest events in the history of man. Only a handful of Americans guided us through the Revolutionary days. Perhaps a thousand or so brought King John to

*A talk by Mr. Hood at the 10th Annual Lenten Corporate Communion Service of the Episcopal Diocese of Pittsburgh, Pittsburgh, Pa., March 27, 1954.

his knees when the Magna Carta was wrested from him. Christ, Himself, with the then known world against Him, prevailed with only 12 disciples.

Here, this morning, are some 1,500, and each of you with the fire of conviction and courage in your hearts, can become an overwhelming and dominant force in keeping Christianity and freedom alive on this continent and one that eventually will penetrate and disperse the darkness that has been closing in on mankind.

Remember with me, if you will, a man of another time who saw about him the promise of greater things. That man was Paul, a merchant by trade. He knew the same fears which we know, fears based upon the actions of new Caesars and the secularism which these Caesars preach to mankind. He feared, as we do, that the time might come when men could walk no more in freedom.

And so he gave to the Galatians a bit of sound advice which, strange as it may seem, needs to be repeated and emphasized today. I should like to repeat his words. It will be good if they find their way into every American heart.

Paul's words were these: "Stand fast therefore in the liberty wherewith Christ hath made us free and be not entangled again with the yoke of bondage."

Is it too late to bring the old-time Bible stand down from the attic or up from the cellar? Is it too late to give it the choice spot it once enjoyed in almost every home—a spot today no less prominent than the TV set. If it is, gentlemen, then it is very late indeed. I leave the answer to you. Just how late is it and what are you going to do about it?

Can Business Effectively Time Its Investments?

At conference of National Bureau of Economic Research some leading economists maintain individual firms can effectively time their investments to help moderate booms and depressions; while others feel long-term advantages of investment regularization are outweighed by prospects of quick profits on boomtime outlays and uncertain prospects of depression-timed investment. Summarizing discussion, Donald Woodward declares fundamental problem is how to stimulate speculative business investment in a slump.

Can individual firms effectively time their investments to help moderate business booms and depressions? Some of the nation's leading economists said "yes" at a recent conference of the Universities-National Bureau Committee for Economic Research. But others believed that the long-term advantages of investment regularization would not be enough to outweigh the prospects of quick profit on boomtime outlays and the uncertain prospects of depression-timed investment.

Donald B. Woodward

Specific ways in which individual firms can realize the advantages of contracyclical investment are evaluated in "Regularization of Business Investment," the report on the conference issued by the National Bureau of Economic Research and recently published by "Princeton University Press."

Action to expand investments at a time when business contraction threatens is an important way to maintain economic stability and provide for economic growth, according to Melvin G. de Chazeau, Cornell University, who was Chairman of the conference. Regularization means, he said, that "the individual firm will program, schedule, and execute capital outlays that are in the best interests of the firm without regard for the temporary state of the market." Investment regularization was not advocated by the conferees as a substitute for governmental contracyclical action, but as a supplement to it.

De Chazeau believes that there is a good chance that contracyclical investment policies may become an important safeguard against depression. On the basis of his study of the investment planning of a 48-firm sample, he said there is a "wide conviction among today's managers that the so-called business cycle represents avoidable waste for which they may have some responsibility, rather than a natural phenomenon which they must weather as best as they can."

Large Firms Stand to Gain Most

Big firms, because of their special competitive position, stand to gain the most from initiating investment in times of business contraction and also often have the financial resources to make this possible, the conferees said. De Chazeau reminded that regular investment outlays are especially important for the large firm because of its need to maintain an effective working organization; specialized know-how in research, engineering, or management; technological leadership; consumer acceptance and the goodwill of distributors; options on raw material or locational sites, etc. "Customers must be assured of continuity of the product and service standards they have come to expect. Thus management must think of markets not merely in terms of months, but in terms of years."

Large corporations, at least early in a depression, usually have the cash balances and other financial resources large enough to finance a substantial amount of contracyclical investment. "Large corporations accumulated substantial cash balances during the early 1930's," said Neil H. Jacoby and J. Fred Weston in their study of financial policies influencing regularization. "Taking multiplier effects into account, their use of an investment regularization policy might have gone some distance toward moderating the decline in business capital formation that occurred." Both Jacoby and Weston were at the University of California at the time of the conference; Dr. Jacoby is now a member of President Eisenhower's Council of Economic Advisers.

Have large firms acted in the past as a stabilizing force in business investment? "On the average," said Millard Hastay of the National Bureau of Economic Research, "large firms make somewhat more than 60% of business fixed capital expenditures." Analysis of the best available estimates, Hastay said, indicates that "the fluctuations of investment by large firms are about as violent as the fluctuations of all manufacturing investment."

Management's widespread preference for internal financing, Jacoby and Weston said, probably moderates investment during the boom. But the "propensity to use equity financing and the aversion to debt clearly operate to destabilize the rate of investment through the business cycle. Likewise, the apparent insistence upon a higher marginal rate of return from new capital goods than that realized upon the firm's present fixed assets—a short 'pay-out' period—aggravates investment fluctuations."

Finance and Banking Developments Aid Investment Regularization

Jacoby and Weston believe that changes in our banking system since the 1930's provide substantial safeguards against a credit squeeze. They also point to relatively new lending devices like the purchase and lease-back arrangement offered by life insurance companies as a way of making investment easier in times of contraction and to the increasing tendency to bulwark commercial bank credit by term and collateralized loans.

But contracyclical changes in credit standards are clearly needed for a regular flow of investment over the business cycle, Jacoby and Weston said. "If commercial bank managements have firm assurance by the central bank authorities of their ability to procure Federal Reserve credit on a basis of fundamentally 'sound' loans, and if they act on this premise, they will be enabled to apply more lenient credit standards during cyclical depressions than they apply during years of high activity."

Another important step toward investment regularization, Jacoby and Weston said, would be "more general use of systematic procedures of investment planning and capital budgeting" by firms. This would "lengthen planning horizons, reduce revisions in investment plans, and de-emphasize the influence that recently realized profit rates appear to have had upon investment decisions. Such procedures should also reveal the inappropriateness of the rule of thumb many firms follow in treating the internal funds available as a 'ceiling' on capital outlays." Even large firms, these researchers find, seldom have long-range investment plans.

Tax Policies Can Encourage Investment Regularization

Many conferees suggested that the government might encourage regularization by varying corporate income tax rates and allowable depreciation deductions to stimulate investment during slumps and restrain it during booms, but also pointed out the practical difficulties of administering such tax policies.

Role of Inventory Fluctuations in Business Instability Is Studied

The role of inventory fluctuations in aggravating business instability was analyzed by Moses Abramovitz of Stanford University and the National Bureau of Economic Research, who said that "both the government and the national banking system ought to use their influence to avoid price changes likely to precipitate speculation in inventories." He said that individual firms might be able to go somewhat farther and even induce contracyclical speculation in inventories by convincing customers that prices are low and that they are unlikely to fall much more in the near future. "If possible, firms should cut prices severely when business falls off, but they should also avoid a policy of continuous price reductions. If possible, prices should be set to apply to all sales for a stated number of months. And customers would be encouraged to take advantage of such bargains if the selling firm offered to protect them against the possibility of subsequent price reductions within some specified time period." Abramovitz conceded that in industries with many small producers assurance about the future course of prices would be difficult.

Specific Industry Investment Problems Are Discussed

The conference report also provides a wealth of information about experience in planning for a more even flow of investment in specific industries. Experience in the building materials industry was reviewed by Walter E. Hoadley, Jr. of the Armstrong Cork Co.; the industrial machinery and equipment industry by Everett M. Hicks of the Norton Co.; the petroleum industry by Richard J. Gonzalez of Humble Oil & Refining Co.; railroads by K. T. Healy of Yale University; the electric utility industry by Edward W. Morehouse of the General Public Utilities Corp.

Emerson P. Schmidt of the Chamber of Commerce of the United States reported on methods various firms are using to promote steadier output and sales. Yale Brozen of Northwestern University discussed investment regularization in relation to technological change. Albert G. Hart of Columbia University surveyed government measures to encourage private policies of investment regularization, and Benjamin Higgins of Massachusetts Institute of Technology (formerly of McGill University, Montreal), discussed measures adopted in various foreign countries.

Joel Dean of Columbia University was one of the conferees who doubted that managements could realistically move very far in making investment outlays in times of contraction. While he and most of the other conferees generally followed John Maynard Keynes' emphasis on investment as the motivating force in economic fluctuations, Dean also reminded that "since consumption is a much greater quantity than investment, small percentage changes in consumption are as important as relatively large percentage changes in investment. The consumption function . . . has shown considerable instability over the past 15 years. Consumer durables — that is, consumption items with investment characteristics—played a dominant role in the wartime shifts in propensity to spend. Again, an increase in the propensity to spend money on consumer durables played a large part in the post-Korean boom. . . . Economists have not paid enough attention to shifts in the consumption function."

Summarizing the conference discussion, Donald B. Woodward of the Vick Chemical Co. said that all business investment is forward-looking and, in a non-deprecatory sense, speculative.

"The fundamental problem," Woodward said, "is how to stimulate this form of speculation in a slump. This can be accomplished, it seems to me, by cutting the risk believed to be involved in such investment and increasing the expectation of reward. Action in this regard would have to come from all parties that influence risk and reward: government, suppliers of funds and users of funds. This is thus a demonstration of how essential is the participation of all major parties to the problem."

NAM Viewpoint on Guaranteed Wage

Speaking at the Annual Dinner Forum of the Mid-Hudson Industrial Association in Poughkeepsie, N. Y., on April 7, Kenneth R. Miller, Senior Vice-President of the National Association of Manufacturers, labelled the guaranteed annual wage, which has been advanced by some CIO unions as a high priority target, as an "illusion of security" and an "unsound approach to the common goal of steady work and steady pay."

Kenneth R. Miller

Outlining the NAM viewpoint on the guaranteed annual wage, Mr. Miller said that while such demands had strong emotional appeal to employees and the public, the guaranteed annual wage would, if adopted, have adverse effects on the national welfare and economy as a whole.

A sounder approach to the goal of steady work and steady pay was seen by Mr. Miller in the widespread, growing campaign by industry for employment stabilization. "Great strides have already been made by industry in regularizing sales, production, work and pay," he said, "although the task is a difficult one since it is affected by a wide variety of factors both within individual companies and outside of them.

The guaranteed annual wage, the NAM official explained, would impose so large a fixed cost on business as to make jobs less, rather than more, secure.

"The employer committed to a wage guarantee," he said, "would be hesitant about taking the risks which are essential to business growth. Paying employees when not working would decrease total volume of production and increase unit cost of production. Companies could be forced out of business by the existence of a guarantee through jeopardy to the financial soundness of the enterprise. Nothing which subtracts from the security of the company can add to the security of its employees."

As the effects of the guaranteed annual wage to the employee, Mr. Miller saw the end results as a lessening of job opportunities. "When each new hiring represents a long-term financial commitment," he pointed out, "a company will hold its employee force to a minimum. Fewer jobs would be available if employers had to consider annual wage commitments whenever they wanted to hire. Thus newcomers who would be employed under normal operation of a free enterprise economy would be deprived of employment opportunities."

As for the consumer, Mr. Miller said that all the costs of the guarantee would filter down to him in the form of higher prices. "Imposition of higher labor costs for work not performed would exert upward pressure on prices," he said. "The so-called security and purchasing power guaranteed to the small but powerfully-organized group of union members would be achieved at the expense of other groups."

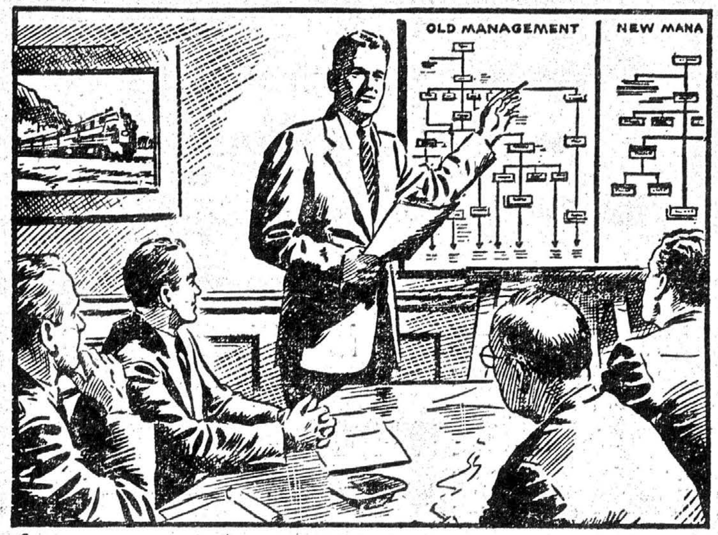
In citing employment stabilization as the "far more realistic way to achieve steady work and pay," Mr. Miller described the methods already formulated by many companies to maintain year round employment by leveling the peaks and valleys in sales and production.

"The benefits which flow from stabilized production are impressive," he said. "Steady operation brings production economies, making possible savings in purchases and in plant investment. Profits are not consumed by overhead expense on idle plant, equipment and labor costs. Turnover among employees is markedly reduced, and the feeling of security which employees enjoy prompts them to cooperate with, rather than to resist, new methods for increasing productivity."

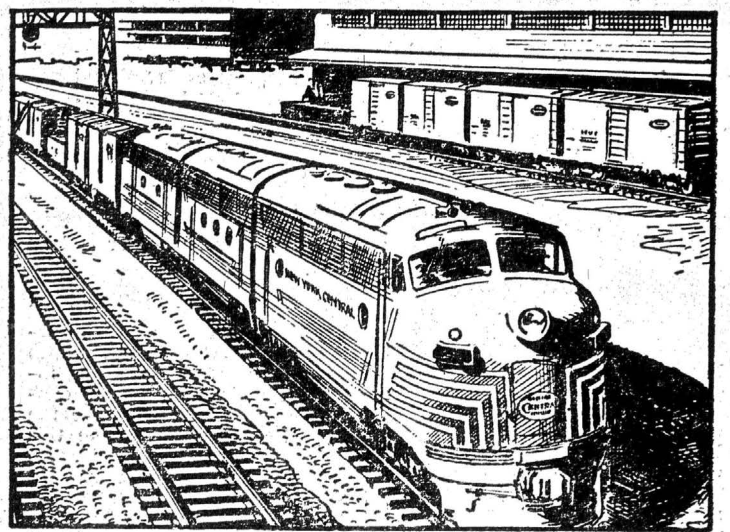
$9.3 Million gain highlights New York

President White's review of his first full year shows revenue increase three times the average for nation's railroads . . . many new operating economies . . . earnings up from $3.83 to $5.27 per share . . . dividends doubled.

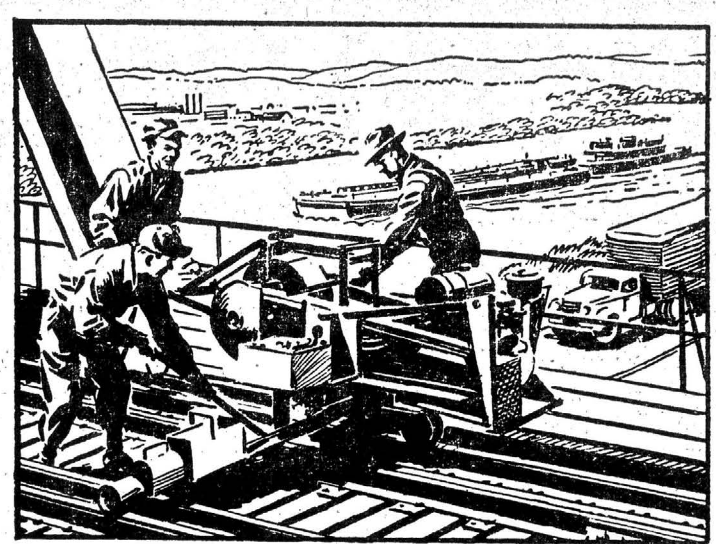
BRIEFS FROM NEW YORK CENTRAL 1953 REPORT TO STOCKHOLDERS



1. Management Streamlining Saves $600,000. We have strengthened our management set-up by streamlining the organization . . . Some levels of supervision have been entirely eliminated, making for a more flexible, better integrated team. Among other benefits is better staff work . . . A much closer cooperation between transportation and maintenance officers is another advantage . . . The organizational changes alone are bringing us a saving of nearly $600,000 a year in executive payroll.



2. Better Service Builds Traffic. Better on-time performance of both freight and passenger trains, smoother-riding track and more efficient maintenance . . . are strengthening our competitive position. Operating revenues, at $825,348,776, were the highest in Central's history. They topped 1952's by $18,000,000 . . . This was nearly three times the percentage increase registered by the railroad industry as a whole.



3. More Track Work for $3.7 Million Less. Further step-up in the riding quality of our track is a priority objective in our over-all program of improvement. Increased mechanization of track work and a high degree of management coordination are enabling us to attain that goal efficiently and economically. While reducing maintenance of way expenses by $3,700,000 . . . we accomplished considerably more track work . . . 1,906 miles of track were surfaced with mechanical tampers in 1953, compared with 905 miles in 1952.

4. Many-Sided Attack on Passenger Deficit. Unprofitable services totaling more than 2,740,000 train miles a year were pruned off our operations . . . We are also aggressively bidding for increased traffic on those passenger trains which operate at a profit . . . We are promoting "travel packages" . . . family fares . . . bargain fares for group travel . . . round-trip coach travel on selected routes offering 33⅓% savings . . . the Manhattan Trip Ticket . . . to determine whether reduction of coach fares will increase . . . net income.

No Revolution in Electrical Power From Atomic Fuels

By DONALD H. LOUGHBRIDGE*
Dean, Technological Institute, Northwestern University

In discussing the economic aspects of various types of nuclear reactors, Dean Loughbridge holds atomic plants for producing electrical power probably will be useful in specialized applications, but will cause no revolution in the power industry for the foreseeable future. However, he warns the atomic age is still so new that it is impossible to predict its full impact not only on power generation but also on many other aspects of economic life, as well as in medicine, food preservation and unconceived lines of industrial endeavor.

It was exactly seven years ago last New Year's Day that the United States Atomic Energy Commission took over the operation of the wartime Manhattan Project from the Corps of Engineers of the U. S. Army. The morale of the remaining workers at the various laboratories at that time was low; many of the better scientists and engineers, who through the war had worked on the project, had gone back to the organizations, both university and industrial, from which they had been borrowed; the du Pont organization, who had done such an outstanding job in designing and building the great Hanford production plant, was anxious to get out of the business, since after World War I they had been tagged in the halls of Congress, and other public places, as the "Merchants of Death," and probably felt that this new means of mass destruction would even more blacken their reputation. The psychological reaction of the world to this new military weapon, so much more effective in killing humanity and destroying property than had ever before been available, was one of revulsion mixed with a certain amount of relief based upon a mistaken belief that it had won the war. These were some of the inauspicious circumstances under which the Commission, created by the McMahon Act of 1946, undertook its mission.

You will all remember how the first Chairman of the Commission, David E. Lilienthal, initially hoped that the way would now be clear for full emphasis to be put on the difficult engineering problems of harnessing this new and vast form of energy to the wheels of commerce and industry and thus materially assist in the ever growing problem of providing satisfactorily the world's demand for power. Hope was high, as it seems to be after each great war, that now the world's problems were essentially solved and all civilized nations could return to their desired peaceful coexistence. It is not necessary to trace here the difficulties which this country, and other peace loving nations, experienced in the next few years. The overall result was that the Atomic Energy Commission was forced by events beyond its control to concentrate essentially upon bomb design and production to the almost complete exclusion of work on civilian nuclear power development.

It is true that a large number of paper calculations and designs for power reactors were carried out, under relatively small AEC financial support, by many industrial contractors. It is equally true that much useful technology was developed which will be useful in future nuclear power projects, under the sponsorship of naval and aircraft power developments for driving submarines, surface ships and airplanes with nuclear energy. It is also true that approximately three years ago the Commission, recognizing the responsibility placed upon it by the Atomic Energy Act of 1946 to develop peaceful applications of this new source of energy, decided to invite any industrial companies who so desired to study the possibilities in the power field and to report back to the Commission their respective evaluations of the commercial possibilities. To enable those interested companies intelligently to carry out such studies, the Commission agreed to make available all the necessary classified information for properly cleared technical employees of these companies and to allow detailed briefings of these various industrial groups at the various developmental laboratories owned and supported by the Commission.

*An address by Dean Loughbridge at the 16th Annual American Power Conference, sponsored by the Illinois Institute of Technology.

No Response As Yet

Such invitations to industrial companies were mainly restricted to newcomers to the field and were accepted chiefly by power companies and other public utilities until at present there is of the order of 50 concerns who have taken advantage of this opportunity. The significant result of such studies has been that in no case has any report concluded that there was no commercial promise in the field. Equally significantly there has been no report which concludes that even with the necessary changes in the law to allow private ownership of reactors would any concern or group of concerns undertake the design and construction of a nuclear power plant without government financial support of one type or another. Hence we can conclude, I believe, that at the present time, or in the near future, industry will not be in a position to carry the ball alone. In support of this view, let me quote from an address given by Commissioner Thomas E. Murray before the Electric Companies Public Information Program here in Chicago last October. In connection with discussing the decision of the Commission to build a prototype nuclear power plant, Mr. Murray says (and I quote) "But before making this decision we had to answer a fundamental question—would private industry, if permitted to do so by law, enter aggressively into the full-scale power reactor construction and testing stage. The answer we derived after several years of probing this problem, with the help of competent interested industrialists, was negative."

Thus we see that as of the present time, although there has been much public discussion to the contrary, private industry is not in a position to carry on nuclear power development without substantial government financial suppport.

Competitive Nuclear Power

But there is an even more pressing reason demanding that finally, at long last, some means be devised so that in the United States we will undertake aggressive development of practical and competitive nuclear power. Later in this paper I will have more to say about the definition of **competitive** nuclear power. The reason to which I refer is the announcement that the U. S. S. R. has not only exploded fissionable weapons but as of last August also tested fusion weapons. Thus we are forced finally to discard the too common public belief that the U. S. S. R. is in this field technically inferior to us, and that we are way ahead in the nuclear race. A good military strategist always assumes his enemy is as intelligent as he is, unless there is definite information to the contrary. I fear we have not always been this wise in connection with evaluating the U. S. S. R. nuclear technology. Now in connection with the Russian proofs of successful explosions of the various forms of atomic bombs, we must remember also that most of the richer veins of uranium ore are not within the borders of our own country. Belgium controls the great central African beds, and Canada also has good sources. Thus we are dependent upon continual ore shipment from foreign nations. Furthermore, our Point Four program is based upon the desirability of aiding less fortunate nations in developing their technologies so as to enable them to work toward our standards of living. Imagine what a strategical defeat it would have been for us if the Russians had been able to announce a successfully operating nuclear power plant instead of the successful explosion of a hydrogen bomb, and had at the same time offered the underlying technology to foreign nations in exchange for uranium ore. This possibility still remains. It is to be remembered that the Soviets have always claimed they were interested in the use of nuclear power for peaceful purposes.

A Prototype Plant

This then, in my opinion, is the main reason causing the Commission to decide actually to build a prototype plant. It is not expected that this first plant will produce economic competitive power. I am informed that 50 years ago when the first steam turbine plant was designed and built near Chicago, it was also known *a priori* that it would not be competitive with the older forms of generation. Such is practically always the case with new developments. This past tendency to hesitate in approving the construction of a first power plant until paper studies could show a good expectation of obtaining competitive power price has long irked many capable engineers involved in making such studies for the government. The chemical and oil industries, working in fields of technologies much better understood than that of the atom, have always hedged their paper calculations by pilot plants or larger. It does not need to be emphasized that the auto industry in their relatively simple technology always builds many prototypes of new cars and runs them to death to remove the bugs which are always present in new devices. This also applies to new airplane design.

So now we have arrived at a firm decision that the next step in this development of nuclear power will be for the government to build a large power-only light water moderated reactor to be located possibly at one of the large gaseous diffusion sites now operating for the Commission, and which make the AEC one of the largest consumers of electrical energy in the country. The high cost power generated by this first protoype will be all used in the production activity of the Commission, and the excess of cost over present commercial sources can be charged to developmental expense. This seems to make excellent sense.

What Type of Reactor?

But now one faces the problem of what type of reactor should be first built. As discussed previously, it is certain that real knowledge of costs of nuclear power can only be obtained by building a full scale reactor. But the choice of type of this first one must necessarily be determined by estimates of cost per kwh as well as by the amount of known technology associated with each type. Such estimates of cost have been made by the various proponents of the different types, and these estimates have been checked and rechecked by the Washington staff of the AEC. Let us examine the variants available to us in designing power reactors. First we have the choice of fuels. Natural uranium, slightly enriched, fully enriched uranium, and plutonium are available. Secondly, as coolants we can consider pressurized helium, pressurized light water, pressurized heavy water, liquid sodium, sodium-potassium alloy, pressurized circulating fuel (homogeneous reactors). Thirdly, we must choose a moderator such as graphite, light water, heavy water, aqueous fuel solution, or none, which last choice puts us in the field of fast reactors where the neutrons are not slowed down after their production. To these technical variations, in all their possible permutations and combinations, must be added the determination of power output measured in terms of either thermal B.T.U., or electrical units. Now the years of study which have been carried out by the large numbers of industrial contractors to the Commission, have pretty generally boiled down our most promising choices for power reactors into the following list:

(1) Pressurized light water with partialy enriched uranium fuel.

(2) Pressurized heavy water with natural uranium fuel.

(3) Sodium cooled graphite moderated with partially enriched uranium fuel.

(4) Pressurized helium cooled graphite moderated with natural or slightly enriched uranium.

(5 Pressurized circulating fuel in aqueous solution with enriched uranium. (Homogeneous type.)

(6) Plutonium fueled-liquid sodium cooled breeder.

Some of the above types had been originally suggested as so-called dual-purpose reactors. And as a matter of fact the first study contracts which the Commission made with the first four pairs of industrial teams called for the consideration of estimated power costs being based on subsidies which could be obtained by selling high grade plutonium made in the reactors back to the government for its weapon stockpile. But during the past three years such great advances have been made in approaching the goal of military requirements for this material that consideration of this economic trick of meeting competitive power costs has now been generally abandoned. Furthermore, even if the military market should remain constant or increase, plutonium and power affect a reactor design in such different ways that it would be very difficult to distribute the costs properly to the products and thus arrive at an intelligent basis for cost.

Likewise, although it is true that much useful technology has developed from the great effort expended in developing submarine and airplane reactors, the small importance of economy in such military devices does not allow one to expect them to come close to being satisfactory for central station power. From a military standpoint, absolute reliability, ruggedness and very rapid control of power levels are essential, but have little importance in an industrial power plant.

Small "Power Package" Reactors

Dr. Weinberg, Scientific Director of the Oak Ridge Laboratory, and one of this country's most knowledgeable reactor designers, has suggested that one way of getting more power reactors actually built, and the experienced technology thereby acquired, would be to encourage the construction of what he called small "power package" reactors. He estimates the cost of such small units at the inordinately high figure of $500 per kw capacity. However, their small size, probably about 5,000 kw, would keep the total cost down to somewhere around $2,500,000. The cost of power is estimated to be about 2½ to 4 cents per kwh. This figure is higher than a similar sized diesel plant which should be around 2 cents per kwh, and the installed capacity of which would run about $160 per kw. There are very few, if any, sites in this country which could support such power costs, yet at the same time the overall cost of such a nuclear power plant is low enough possibly to encourage some large industry in experimenting with the development. More promising, however, is the potential military market. The Armed Services in many of their far-flung global installations are now operating diesel plants where the cost (according to the Army Corps of Engineers) may run as high as 6 cents per kwh. Furthermore, the freedom from the necessity of continually shipping fuel supplies to these remote localities gives the nuclear power package idea a great advantage over the diesel units. For these reasons, the U. S. Army is greatly interested in such small unit development. Furthermore, there are many foreign locations where power could be used at high cost if available in relatively small units. These are localities far removed from coal, oil or hydroelectric resources, such as the Sudan, French West Africa, Lybia, Algeria, Central Brazil, Northern Chile, and Western Australia. In most of these localities, the cost of diesel oil is greater than 25 cents per gallon, and nuclear packaged power appears to be competitive. Of course the world situation would have to be more stabilized for this country to agree to allow export of fissionable material, but it should be remembered that some of these localities are governed by nations having their own sources of uranium or thorium. It is conceivable that small power reactors could be manufactured in the United States, and the fissionable material supplied by the country where such a plant was to be located. This should be a challenge to those manufacturing industries in this country interested in constructing reactors, and the operating experience would add to our background knowledge needed to approach the competitive power cost for commercial use in this country. However, a change in the basic Atomic Energy Act would be involved in such a program, but it would certainly fall within our Point IV objectives.

Nuclear Power Costs

Probably some of the most detailed studies of nuclear power costs for the various types of reactors have been made for the Commission by the Atomic Power Division of the North American Aviation Co. They have made estimates of comparative costs for many different types, and arrive at the conclusion that for a power-only reactor, given present known technology, and taking into account 3% for depreciation, 6% profit, and 4.5% for taxes and insurance, a sodium-cooled, graphite moderated converter reactor generating 200,000 kw could be constructed within the next few years, which would produce electrical power at 7.9 mills per kwh. This is admittedly high. At the same time, other studies show the pressurized light water reactor to be very closely equally promising. Some will place each type ahead of the other in promise from an economic standpoint. The fact is, as you all probably know, that the Commission has just lately awarded a contract to the Westinghouse Corporation for the construction of a pressurized water reactor designed solely for power. The project will be under the general direction of Admiral Rickover, who has done such an outstanding job for the Commission, as well as the Navy, in directing the atomic submarine projects. We can be well assured now that this country's first civilian power-only reactor will be produced and put into operation in the minimum possible time.

But let us not expect the millenium. Even if 3 or 4 mill power should eventually prove possible, a saving of more than 5 to 10% in production cost of large fuel and power users is highly unlikely. The already cheap fuel in this country for the past 50 years has been such that no more than 3% of the total cost of manufacture has been fuel and energy expense. The "Chemical and Engineering News" of recent date has stated that ". . . Industries where fuel and purchased energy are exceedingly high are: blast furnace products where they are 26% of total production cost; cement, 19%; manufactured ice, 16%; clay products, 15%; wood pulp, 8%. The first two industries might well profit from cheap nuclear power but here savings would be only 5 to 10% in total production costs with 3 to 4 mill nuclear power."

But these comparisons, it seems to me, are a little beside the point. Who could have predicted at the turn of this century the prodigious alterations in our way of life that would be created by the automobile and airplane? Consider their effect not only upon transportation but also upon the steel, aluminum, rubber, petroleum, and glass industries, and the very large augmentation of the credit system caused by these same inventions. By the same token, who will now be so bold as to predict the ultimate effect of the atom not only on power, but medicine, food preservation, and yet unconceived lines of industrial endeavor? As one studies the pages of technological history one is always struck by the diverse outcroppings which inevitably appear as a result of such basic advances in man's knowledge. The splitting of the atom is the most magnificent triumph of human imagination, and is the culmination of a long series of scientific advances contributed by all the civilized nations of the earth. Let us strive to the utmost to ensure that its vast potentiality will be used in the future in a civilized manner.

Ross Gustafson With A. E. Masten & Co.

PITTSBURGH, Pa.—A. E. Masten & Company, First National Bank Building, members of the New York and Pittsburgh Stock Exchanges, has announced that Ross A. Gustafson has joined their firm as Manager of their municipal department. Mr. Gustafson comes to Pittsburgh from Chicago where he has lived all his life, and where he had been associated with The Northern Trust Company as Assistant Manager in the bond department.

H. A. Riecke Elects

PHILADELPHIA, Pa.—John E. Parker, President of H. A. Riecke & Co., Inc., members of the Philadelphia - Baltimore Stock Exchange, announced at the 15th annual employees' dinner held at the Warwick Hotel, that directors of the company were re-elected at the annual meeting of stockholders.

At the organization meeting, directors re-elected H. A. Riecke as Chairman; John E. Parker as President and Darrah E. Ribble as Vice-President. Other officers re-elected were U. G. Warren, Secretary and Richard J. Handly, Jr., Treasurer.

Economic Nationalism—A World Menace

By WARREN LEE PIERSON*
Chairman, Trans World Airlines
Chairman, U. S. Council, International Chamber of Commerce

Mr. Pierson decries regulations and impediments restricting international trade and calls for an end of "Buy American" program. Cites ill effects of foreign restriction on our airlines and inconsistency of our restrictions on imports through tariffs, while aiming to increase our exports. Says high wages are fundamental gospel of American business, and while we are improving industrial techniques, trade restrictions are nullifying them. Concludes "restrictions on trade are not good for our economy."

On Tuesday President Eisenhower sent to the Congress a message proposing legislation intended to implement some of the recommendations of the Commission on Foreign Economic Policy — the so-called Randall Commission.


Warren Lee Pierson

This Commission — as you know — was appointed pursuant to an act of Congress to examine and report upon the international relationships of the United States in the economic field as they bear upon the soundness of our domestic economy and the security of our citizens.

Seven of its members, including the Chairman and Vice-Chairman, were selected by the President; five were Senators; and five were members of the House of Representatives.

The points of view and background of these gentlemen differed substantially, and the final report therefore was a compromise as might be expected. To those of you who have not already done so I recommend the majority and the minority reports as "must" reading. While the majority did not go as far as some people might wish, their report is liberal in tone and objective.

The stage is set again for a battle in Congress and in the press between advocates of a liberal foreign economic policy and those who wish to retain or even expand restrictions on our foreign trade. The argument will be most intense between proponents of lower tariffs and those who say that "goods touched by cheap foreign labor must not enter our shores."

I have cast my lot with the former, and accordingly, I want to make a few remarks in favor of reducing trade restrictions. In this connection, however, I want to emphasize that my comments are directed at all commercial barriers and not only against high tariffs.

A preacher has a great advantage in that his sermons are delivered in church, because his parishioners would not come if they did not expect a sermon. Similarly, I do not suppose I have to persuade the members of the New York State Chamber of Commerce that any nation must have commerce if its people are to enjoy a pleasant and prosperous life. I am not so certain, however, whether everyone agrees that international trade is just as desirable as domestic trade.

What International Trade Does

International trade improves the living standards of the nations concerned just as business at home improves domestic living standards. Morever, the very existence of trade between nations reduces tension and eliminates the dangers of war. A good customer is like Santa Claus—no one wants to shoot him!

It is paradoxical that while the benefits of international trade were never more apparent, the first half of this century has witnessed such an increase in nationalistic trade barriers that the smoothly running multilateral system built up during the last century has been almost destroyed. The time has come to reverse this trend toward economic Balkanism, but if this is to happen the leadership must come from the United States.

Perhaps it will be helpful if we put the problem in the proper historical perspective.

When America was discovered four and a half centuries ago, Western civilization was just emerging from the darkness of the Middle Ages. The major European nations as we know them today did not exist. Italy, Germany, and all of Central Europe were divided into tiny feudal principalities and dukedoms, constantly warring with one another. England, France, and Spain were just emerging from similar feudalism to become nations. But industry and agriculture were primitive and living standards dismally low.

Nevertheless, the people even of that day understood the advantages of trade. They exchanged goods with one another and developed a craving—probably stimulated by the Crusades—for the more exotic products of the Middle and Far East. History tells us that it was because the Turks had cut the ancient caravan routes to China that Columbus set forth on the voyage which resulted in our being together today.

During the succeeding centuries nations have become larger and larger and society has become increasingly complex. Because of these developments freedom of international commerce has become more essential than ever before.

The everyday needs of modern society call for a bewildering variety of materials for industry; and conversely this industry calls for larger and larger markets to operate economically. Neither the materials nor the markets can be found entirely within the arbitrary political frontiers set up by men. I realize these statements are truisms but it is well in considering our subject to bear them in mind.

If a little principality in Columbus' day decided to shut off commercial dealings with its neighbors, the effects on the rest of the world were negligible. Those immediately concerned could usually switch their modest trade to other areas, and life went on pretty much as usual. But if a modern nation decides to restrict commerce, the repercussions are bound to be world-wide and damaging to everyone.

International Trade and Peace And Security

In the light of my own experiences over the last three decades we cannot have peace and security except as these are enjoyed by the rest of the world. Of course, many things together contribute to such an objective but none is more important than the fabric of international trade. Practically everyone agrees with this conclusion; and hardly a business meeting is held without some speaker assuring us that trade is a two-way street; that we must import in order to export, etc., etc. It is when we leave the discussion of principles and get into the details of trade which affect some specific interest that the fight begins.

As I said earlier, commerce can be impeded or even stopped in many ways, of which high tariffs constitute only one. Quotas, currency regulations, cumbersome licensing and customs procedures, health and immigration requirements—all have a similar effect. Certainly some regulation of all these may be necessary in the national interest of any country. However, when regulations are carried so far or administered in such a way as seriously to hamper trade and foreign relations it usually is done to satisfy some selfish private interest, not to serve the national interest.

Our forefathers struggled with this conflict of private versus national interest decades ago.

Before this country gained its independence the colonies had set up high tariffs to prevent goods moving from one colony to the other. But industrial production was low because English manufacturers wanted to sell their goods in this country. In this they received strong support from the Crown which prohibited the emigration of skilled workers and the exportation of machines to this country. It was forbidden even to take plans of machines out of England!

But with freedom new conditions developed. The colonists could now trade with other countries and could manufacture goods without restraint from the Mother Country. And with the adoption of the Constitution, tariffs between States were ended. The real foundation for our future industrial strength has been laid.

International Air Line Restrictions

Let me give you an example of a type of regulation with which we in the international airline business are constantly threatened. I refer to restrictions imposed by the authorities of foreign countries on the number of our flights. We have run into this problem at one time or another in many countries overseas and we are faced with it in some areas at this moment.

The endeavors to limit the frequency of our services are generally promoted by some local airline which believes that its traffic will be increased by reducing our arrivals and departures. It is clear that the over-all interest of the country will suffer through the limitation of foreign travel and cargo service, but the local airline may persuade the aviation authorities to overlook the national interest.

Several years ago, my company faced this problem in one of Europe's smaller countries which has an enviable position in world trade. The privately owned national airline, through the Ministry of Aviation, brought severe pressure on TWA to reduce its services, and for almost two years we were faced with possible cancellation of our operating rights unless we held frequencies down to an uneconomic level. However, when the problem reached a higher level in the government it was recognized that the country's well-being and prosperity was based on tourism and foreign trade; and that its people would be benefited by the maximum amount of air services no matter who operated them.

Since that time, rather than having our flights restricted, we are being urged by the local authorities and business interests to step them up—an attitude similar to that taken by any chamber of commerce in the United States. The most interesting development is that the local national airline, far from having suffered, has shared in the increased patronage of air transport which our services generated; and is much more prosperous today than ever before. So we see that even the selfish interest sometimes is not benefited by the restrictions it endeavors to place on trade.

Pressure to Restrict Imports

Now let us turn to examples closer to home. Within the last few weeks I have seen messages to stockholders from two American manufacturing companies, both outstandingly successful in their lines. In both cases the stockholders were asked to bring pressure on Congress to prevent imports competitive with these companies' products.

Both letters set forth persuasive reasons why American purchases should be confined to American producers. Both pointed out that sales lost by the company to foreign competitors would have meant greater profits to the stockholders and additional employment in the plants. Also noted was the fact that the foreign competitors enjoyed lower wage levels.

Only one thing was missing. Somehow, each letter omitted mention of the fact that the company concerned had a foreign department; that a substantial portion of its revenues were derived from manufacturing for export; that these exports were very successful even in competition with foreign manufacturers enjoying low wages; and that without this export market both revenues and profits would have been much less. The letters did not suggest that this export business be discontinued.

Most of the people who favor a "Buy American" policy do not trouble to mention a "Sell American" policy — but the two of course go hand in hand. I, for one —after many years of thinking about it — favor the expansionist course. I want the United States to have active, growing exports. But make no mistake about it—this means we must buy if we are to sell!

In one of last week's issues of the "Wall Street Journal" I noticed two front-page items—right next to each other—which struck me as incongruous.

The first said **"Tariff Boosts, not cuts, might be Congress' response to Ike's 'freer trade' plea."** The second said **"Overseas outlets are Benson's big hope for paring U. S. farm surpluses."**

Could anything point up the inconsistencies more plainly?

A Fundamental Gospel of American Business

During some recent travels I found time to read the biography of Henry Ford by Allan Nevins which has just been published. I recommend it to you as some very enjoyable and thought-provoking reading.

The book recalled the controversy which surrounded Henry Ford's establishment of $5 as the minimum wage for a day's work — and his then-fantastic theory that Ford workers should be able to buy the automobiles produced by his factory. Today this rates as fundamental gospel of American business. We all believe, I think, that the secret of maintaining our high-geared economy is

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*An address by Mr. Pierson before the Chamber of Commerce of the State of New York, New York City, April 1, 1954.

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Economic Nationalism—A World Menace

mass markets, which require mass purchasing power and leisure to enjoy the products of industry.

I have often heard American industrialists criticize their opposite numbers in Europe because they have not recognized and adopted this philosophy. Many European businessmen are still wedded to the idea of restricted production, high unit profits, and low wages. I can't personally vouch for its accuracy, but not long ago I read an article which pointed out that the Renault factory in France is capable of producing three times as many automobiles as Renault can sell. Meanwhile, Renault employees come to work on bicycles because they cannot afford to by Renaults. Imagine how the market for autos in France would grow if these and other workers were able to buy them.

I have said that many American businessmen have commented on what they regard as the basic weakness in the European economy. But strangely enough some of these gentlemen are unable to see the tremendous markets our own products could command if only the foreigners could earn the dollars to pay for them. For some reason what is accepted as obvious at home becomes obscure when we cross the foreign boundary!

"Inventing Regulations"

While engineers and scientists were perfecting the modern marvels of high speed transportation, other men have been busy in government offices all over the world inventing regulations to ensure that their usefulness would be as limited as possible. And they have achieved a considerable measure of success. The shipment of goods which arrives in New York from Bombay by air in two days will sometimes be held in a customs warehouse for weeks awaiting determination of its valuation for tariff purposes.

The present Administration in Washington was elected to office on a platform which included promises to remove government restrictions on business. I am sure it has the support of the American people in this objective, and that it is trying very hard to make headway. Strangely enough, however, some of the Congressional leaders who were most vocal in their protests against government interference in business are also most anxious that the government's restraining hand be laid more heavily on our foreign trade. I wonder if they realize the inconsistency of their position!

In 1953, United States exports, including military aid shipments, amounted to almost $16 billion, and imports were almost $11 billion. Thus, exports exceeded imports by nearly $5 billion, a figure which has repeated with monotonous regularity for the past several years. The unbalance, over the years, has had to be made up with your tax dollars through foreign economic and military loans or grants. And what must not be overlooked is the fact that these excess exports have reduced the natural resources of the United States.

It must be admitted that $11 billion of imports is a very tidy sum. It hardly justifies the inference sometimes made by our foreign friends that we have erected a Chinese wall around the United States! Actually, our tariffs have been reduced steadily over the past 20 years, and now average only about half of the 1934 level. More than half of our imports in 1953 entered duty-free; most of these, of course, were raw materials which are not produced in the United States. Nevertheless, we have advanced—or retreated, depending on your point of view—a considerable distance since Messrs. Hawley and Smoot.

In large part, this has happened through the logic of circumstances and through the growing understanding by the American people of international affairs. Whether we like it or not, the two World Wars and the collapse of empires have given us greater responsibilities. Concurrently, our enormous increases in productivity, both on the farm and in the factory, have given rise to surpluses of some products which can be sold only abroad. There is, however, no advantage in sending products abroad if we receive nothing in exchange, or if we have to give foreign countries the money with which to buy them.

Those are the real reasons which have led us away from economic nationalism — and which will lead us further in the future. The plain facts are that the United States has become the leading producing and trading nation, and restrictions on trade are not good for our economy. Therefore—purely for our own economic good—we have relaxed some of our restrictions; and for our continued good we should relax some more.

It is a happy circumstance that—to paraphrase an expression—what is good for the United States is also good for other friendly nations. By increasing our commerce with them we bring economic and military interests into harmony, and cement the unity of the Western world. As I said earlier, most of the bickering between countries has always arisen over restrictions on trade.

President Eisenhower has urged Congress to commit our country to a modest program of trade liberalization over the next three years. If there is any logic in what I have just said, Congress should adopt such a program. However, . . . representatives of particular districts or groups with special axes to grind sometimes exert influence far beyond their economic importance.

Public opinion throughout this country favors less restrictions. A Gallup poll only last month, for example, indicated that informed voters support lower tariffs by 2 to 1.

You gentlemen are leaders in the commerce, the industry, and the public life of New York. What you have to say bears great weight, both with your neighbors and with your representatives in Congress.

I hope that in deciding your position on these important matters you will ignore the selfish special interests of any particular person, company, industry, or community and will concentrate on the over-all benefit to all the people of our whole country. If this leads you to believe that we need a flourishing foreign trade; that our consumers should have ready access to foreign goods; and that the President's program deserves support, I hope you will not keep silent.

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Municipal Finance Problems in 1954

will be affected. The prudent local official will forthwith take time by the forelock, get his municipal house in order, and be prepared to meet changes as they may occur—if they do. A standstill policy could later produce some red-faced officials.

Those with investment houses, too, dealing in buying and marketing municipal obligations must be thinking as to how best aid local communities by financial counsel, in addition to finding institutional, private and other investors willing and able to absorb the heavy volume of debt obligations that will be offered in what is now being called an era of economic change. Finding fresh money for investment may become a problem for underwriters as well as public officials. Are municipal bond investment houses approaching this problem, if it is for them a problem, on a long range basis—for example, 60, 72, 120 months—to preserve their future relation with the immense volume of municipal securities to be marketed during those periods?

Capital Improvement Programs of Municipalities 1954-58

Recently, at the request of the President's Council of Economic Advisers, the Municipal Finance Officers Association, in collaboration with several other national organizations, composed of local public officials, undertook a survey and study of the capital improvement programs of municipalities for the next five years. This was through a comprehensive questionnaire sent to the nation's largest 106 cities, which included all cities over 100,000 population, and a selected sample of 228 cities from 10,000 to 100,000 population. It is evident that, regardless of size, only a relatively few cities among the many are doing the kind of programming and planning that municipalities should be doing to meet needs of the people during the next 60 months.

The reason for this perhaps is that members of governing bodies are holding office for terms that will expire in the next two or three years. Such officials being in policy-making positions, may, understandably, be failing to take the interest necessary or may hesitate to inaugurate a long range capital improvement program. Whatever the reason may be, and it is recognized that due regard must be given to the uncertainty of political and economic fortunes, nonetheless all policy-making officials, elective or appointive, would reach a greater stature if, now, they would endeavor to establish a policy and program for acquiring improvements during at least a five-year period, which is somewhat in the realm of the foreseeable future. Of course they should expect their successors to logically amend policies to conform to the ability of the governmental unit to absorb in changing times. But, assuming that a long range capital program could and would be instituted, nevertheless it should be flexible and be reviewed at least annually to discover if the project which today may have high level priority would not in a later year take a lesser position of essential need.

All projects should be carefully screened and priced to discover if the cost is within the financial ability of the municipality to acquire and the subsequent ability of taxpayers to maintain and operate without becoming unduly burdensome financially. It is generally recognized that many factors, including political as well as financial, enter into the establishment of long range improvement programs. Administrations of many municipalities, including some relatively small places, are becoming more conscious of the need for such programming now—and not wait until an extreme situation arrives, if it arrives, or until the Federal Government sponsors public works, as has been indicated in the President's Economic Report, would be done.

The timing of acquisition of public projects will probably depend in some degree on prices of materials and labor compared with present prices. Some public officials may think it well to wait for distress market prices of materials before starting public projects in communities, thereby obtaining improvements at less than present day costs. Such view is generally regarded as not good for the economy of the country at large or its many local geographic areas. The timing of acquisition of improvements then is another problem.

What the 1954-58 Survey Disclosed

In the five-year Capital Program Survey which was undertaken, 141 municipalities reported planned projects totalling nearly $4.9 billion for the period 1954-58. Local governments planned to expend 24.1% in 1954, 19.8% in 1955, 17.2% in 1956, 16.4% in 1957, 15.8% in 1958, with 6.7% assigned to no one year. Based upon this sample it appears that local governments plan to continue improvement programs, and at about the same rate as in the years 1951-1953. They plan to finance their capital improvements this way: Taxes, 7.23%; special assessments, 5.8%; Federal grants, 3.14%; State grants and shared taxes, 6.61%; loans from other governmental jurisdictions, 0.42%; short-term loans, 0.4%; general obligation bonds, 56.13%; special assessment bonds, 3.4%; revenue bonds, 9.03%; and from other sources, 7.84%. It appears too that a growing number of municipalities plan to adopt a full or partial pay-as-you-go policy in financing acquisition of public improvements.

In general it would appear that municipalities have sufficient borrowing margin for their planned improvement programs with, of course, exceptions existing for some individual places. About 80% of the reporting municipalities indicated that some type of change would be needed in State and local legislation if their program was expanded or accelerated. The four most frequently cited changes, in the order of frequency are: (1) increase *ad valorem* taxes; (2) increase existing debt limits; (3) authorize new revenue sources or adopt sources now authorized but not used; (4) increase State aids and State shared taxes.

Sixty-six municipalities reported to questions relating to tax and debt limitations. It appears that these are not as much of a deterrent to planned construction as some other factors such as: (1) policy considerations, including the desire to protect the credit standing of the municipality; (2) the desire to hold debt and taxes within present levels; (3) the desire to utilize a pay-as-you-go basis as much as possible, at least to the extent of making "down payments" for scheduled projects; (4) political considerations, for example, the difficulty of obtaining bond approvals at local referendums; (5) a reluctance to impose new taxes in the face of burdensome Federal income taxes; (6) a questioning of the local taxpayers' ability to support an expanded capital improvement program; (7) a feeling that the combined taxes of all levels of government are high; (8) a feeling shared by many of the reporting municipalities that some of the tax burden should be shifted from a too high dependency upon property taxes to some other type of revenue source.

These factors give some indication of the reason for some of the statements in the Jan. 28 Economic Report of the President, and the assertion that the role of the Federal Government will be such as to provide some financial aids to local governments to acquire public works if the need arises in an era of economic change.

If local government has its role with corollary financial problems, and the Federal Government stakes a role, then those engaged in the field of investment banking also have an important role in the affairs of local communities. The five-year Capital Improvement Program Survey talked about here was necessarily limited. It is emphasized, the data obtained was from a small percentage of the total existing governmetal units of all descriptions totalling about 115,000 in the United States. Consequently, the total volume of potential local capital improvements in the next five years can be expected to be multiplied a number of times beyond the $4.9 billion indicated by the survey. State and county governments, and jurisdictions such as authorities, were not included. It then must be obvious that a tremendous dollar volume of public debt obligations of municipalities, counties, States and their other jurisdictions will come into the market in the next 60 months alone.

One may inquire where is the investment money coming from? If it could be assumed for the sake of discussion that the monies derived from redemption of outstanding public would be reinvested in new municipal bonds reaching the market during the next 60 months, this then would account for some of the funds needed to absorb potential new issues. On the other hand, if the annual volume of new municipal issues for all purposes is greater than municipal issues redeemed, some new money would be needed if State and local governmental units are to acquire and finance the potential capital improvements now indicated.

Parenthetically it may not be amiss to observe, that it might be a laudable project for some responsible research organization or nationally recognized institution to undertake to discover the answer to the question about new money. It would be desirable if reasonably valid estimates were available. This would be helpful to national economic and financial planning.

In an editorial appearing in the "Bond Buyer," Feb. 27, 1954, remarking about a comparison of corporate and municipal financing for 1953, this was said:

". . . The Securities and Exchange Commission has issued a study showing that corporate flotations of debt and equity issues, other than those of investment companies, totalled about $8,900 million, which was a decline of 7% from 1952. In contrast, the "Bond Buyer's" final total of State and municipal borrowing on long-term for the year comes to $5,557 million, up nearly 25% from the previous year. The thought arises inevitably, in the light of such trends, that State and local government issues may overtake corporates before long. . . ."

Suppose the trend does continue upward. In view of the present planning for new improvements and borrowing by local and State governmental units, it is not likely to turn downward, so a part of the question about sources of new money may be answered. Because if it could be optimistically believed that even in an era of economic change the change would not be unduly or completely financially depressive, the dollars needed to absorb future heavier offerings of new municipal and State issues might aptly be provided through lack of volume of future offerings of non-public issues. Also, Federal Government offerings might lessen if the national budget is balanced. Whatever the answer may be, the problem is largely in the laps of the nation's investment bankers to solve in the interest of a growing America. It is anyone's guess how high the present outstanding (roughly) $33 billion of municipal and State debt will grow during the next 20 or 30 years as the nation's population grows.

Other Financial Problems

As costs of local and State governments have increased because of a variety of elements, the problem of financing such costs is not likely to lessen in the future. State and local governments are on the doorstep of new problems. The element of population growth alone will have a heavy bearing on future financial problems. At the beginning of 1954 the nation had a population of about 161.1 million, a gain of nearly 10 million since April 1, 1950. Competent authorities estimate that by 1960 the population will be between 170 and 175 million.

If officials of local governments and their financial advisors and bankers think their financial problems are difficult now, let them be admonished to prepare for additional and heavier ones. If local communities are now beleaguered with population growth, it requires little imagination to think what the local situation will be 70 months from now. As observed previously, the proficient technological advances in the field of motor vehicle transportation alone, requiring more and better highways, and more and better local parking facilities, will compound present problems. The people in our local communities will demand and probably get more services. This, of course, will cost money and the money will have to come from taxes and other municipal revenues. Even small cities already are becoming central cities in a sense, with the growth of adjacent or abutting unincorporated areas as new fringe area developments grow. The financial problems of the great urban cities will become relatively also the problems of small and medium cities but in a lesser dollar amount. The fringe area problem cannot by any means be disregarded.

Obtaining revenue sources to reasonably operate municipal services in a dynamic growth will mean that state legislatures will in all probability be compelled to enact legislation of a type which will provide local communities with sources of revenue not now provided nor traditionally used in the several geographical areas. While on the one hand such legislation may be considered as additional burdens of taxation, on the other hand it clearly means a recognition by state legislatures that the need for additional sources of local revenues to meet the demands of the people for more services in the nation's population growth should not and cannot be treated lightly or ignored.

State Taxing Revisions

It is reported that the Commerce Clearing House of Chicago in its comparatively recent annual state tax review stated that 45 states seeking to modernize their tax systems to provide more revenues this year made more changes in the tax laws than in any other previous year. Briefly mentioned here: Oregon and Washington completely rewrote their income tax laws. Delaware increased personal income tax rates and Massachusetts extended a surtax on income taxes for two more years. Connecticut increased corporation taxes for a two-year period; emergency income tax rates were extended in Massachusetts, Pennsylvania, Rhode Island and Washington. Michigan enacted a new four-mill tax on all adjusted gross receipts over $10,000 annually on any business operations in which a gain resulted. All firms, corporations and individuals are liable for the tax, but it does not affect income from wages and salaries. Colorado extended corporate tax reductions and Idaho decided to permanently reduce corporate taxes. Connecticut increased its sales tax from 2% to 3%, while North Dakota and Rhode Island extended their temporary rates of 2%.

It is evident that state legislatures are not standing still on their own financial problems. Neither will the administrations of local governments be able to stand still on their financial problems including revenue needs to cover budgeted expenditures so long as people demand and get more services, including those fancied as necessary as well as those recognized as being essential.

Conclusion

These comments touch generally upon municipal finance problems early in 1954. Who would conjecture what the future will bring? Local governing and administrative officials have problems ahead but somehow they will overcome and solve the financial and attendant problems of their villages, towns and cities. Those who are trained in the field of investment banking, and particularly those specializing in the marketing of municipal debt issues, will, it is to be expected, certainly want to assist local public officials to solve financial problems because by so doing they will be helping their own fellow taxpayers and neighbors in the villages, towns and cities where they live. Beyond this, many, engaged in the banking profession, also serve their local communities on various public bodies, thereby becoming more deeply interested in community affairs; as well they should.

Devises New System of Financing Ship Mtgs.

Rudolf S. Hecht, Chairman of the Committee of American Steamship Lines, describes new measure before Congress which would provide 100% government insurance for mortgages on new ships, with reduced maximum allowable interest rates, and giving other encouragements to entrance of private capital into shipbuilding.

Proposals for a new system of private financing of ship mortgages that would encourage investment of an estimated $2 to $2½ billion by private and institutional lenders in new U. S. merchant ship construction were given at Washington on April 8 by Rudolf S. Hecht, Chairman of the Committee of American Steamship Lines and former President of the American Bankers Association.

Mr. Hecht, who is Chairman of the Board of Directors of Mississippi Shipping Company of New Orleans, spoke also for the American Merchant Marine Institute representing other major segments of shipping in hearings before the Subcommittee on Water Transportation of the Senate Interstate and Foreign Commerce Committee.

The Committee is considering legislative amendments to the ship mortgage section of the 1936 Merchant Marine Act.

"The aging of our merchant fleet is a national problem and the replacement of it in an orderly and progressive pattern is a matter of established national policy," Mr. Hecht said in urging removal of financing obstacles to new vessel construction.

Major provisions of the new bill, as pointed out by Mr. Hecht, would provide 100% government insurance for mortgages on new ships; reduce maximum allowable interest rates on money borrowed to build ships; make a number of technical changes in existing laws to encourage entrance of private capital into shipbuilding.

Although national policy requires replacement of our aging merchant fleet, shipping companies have been unable to secure 20-year mortgages in private money markets at reasonable interest rates under present laws, Mr. Hecht said.

"Under this new bill," Mr. Hecht told the Senate committee, "it will be possible to finance most future ship construction without direct government mortgaging, and there is very little likelihood of the government ever having to perform under the mortgage insurance provisions."

In case of default by a shipowner the government is reasonably protected, he pointed out. Since shipowners make down payments of at least 25% of the construction cost, only the remaining 75% is covered by the provisions for 100% government insurance. On default the government would be able to take possession of the vessel at a cost at least 25% less than the ship's depreciated value. The government also has a claim on the entire net worth of the shipowner.

The bill establishes a ceiling on interest rates for ship mortgages at 1% above the estimated yield from 20-year government bonds. This compares favorable with the 5% to 6% ceiling in existing laws.

The shipping industry, Mr. Hecht said, wants the interest rate to be high enough to attract investment capital, but not so high that it would be burdensome to shipowners seeking to build ships.

It has been estimated that to meet the mounting cost of ship replacement the shipping industry will require borrowed capital amounting to approximately $2 to $2½ billion over the next 12 years.

"The passage of this bill will be in the interest not only of the Merchant Marine, but the nation," Mr. Hecht told the Senate committee. "Government will be relieved of the necessity for doing this financing. The shipping companies will have an opportunity to get the necessary funds in a competitive market and at a reasonable rate. Finally, it will be to the interest of the shipbuilding industry since it will make it possible to replace our aging fleet in an orderly fashion over the years."

Joins Cruttenden Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Frank T. McConnell has become associated with Cruttenden & Co., First National Bank Building. He was formerly connected with Harris, Upham & Co.

FIF Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald D. Kent has been added to the staff of FIF Management Corporation, 444 Sherman Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Earnings statements of the major banks which have published reports for the first quarter of the current year practically all show gains over the results of the corresponding period of 1953.

Among the New York banks all but one reported larger operating income. Similarly indicated earnings were higher for the banks that do not report interim operating figures. In part this reflects the operating conditions which have been prevalent during the period although profits from securities have also helped to boost the total of net profits.

Per share figures for the first quarter of 1954 together with results for the corresponding period of last year for 16 New York City banks are shown below. Where available operating earnings are presented, otherwise the indicated profits per share have been calculated. When necessary because of stock dividends, figures have been adjusted to the present capitalization so that comparisons are on a comparable basis.

	—Earns. Per Shr.— 3 Mos. to March 31 1954	1953
Bank of Manhattan	*$0.65	*$0.64
Bank of New York	8.01	7.04
Bankers Trust	1.18	0.96
Chase National	0.87	0.84
Chemical Bank	1.04	0.98
Corn Exchange	1.45	1.32
First National	*5.69	*5.40
Guaranty Trust	*1.55	*0.98
Hanover Bank	*1.37	*1.26
Irving Trust	0.41	0.39
Manufacturers Trust	1.42	1.37
Morgan, J. P. & Co.	4.74	4.37
†National City	1.12	1.03
New York Trust	2.23	2.14
Public National	0.84	0.80
U. S. Trust	4.87	5.23

*Indicated earnings. †Includes City Bank Farmers Trust.

The favorable operating results realized by the banks in the first quarter reflect a number of factors. Despite a decline in loans, deposits and assets over the past three months comparisons with a year ago in many instances show gains.

For example, deposits although 2% lower than at the end of 1953, are close to 3½% higher than at the end of March a year ago. In addition the lower reserve requirements which were put into effect last July permitted the banks to invest a larger percentage of their total funds. Thus, the volume of earning assets available to the banks this year has been close to 5% larger than in the same period of 1953.

The average loan volume has been lower but only moderately so. Most of the funds so released together with other available resources have been invested in securities, primarily U. S. Governments. For the group, holdings of these securities gained by more than 12% over the past year. Other security holdings gained by a similar percentage although total holdings are, of course, very much smaller.

The rate of return on loans and investments averaged higher although there was an evidence of some softening in rates as the quarter progressed.

With a larger volume of invested assets and a little better return, there was a sizable gain in gross earnings. Increased expenses absorbed a portion of the improvement but in most instances, earnings before taxes were higher.

In many instances their gain required a larger tax provision although the expiration of the excess profits tax made it unnecessary to provide for this liability. A year ago several banks accrued for a possible E.P.T. in the early months.

The final result was a favorable gain in net operating earnings for the first quarter over the initial period of last year.

Pittsburgh Bond Club Elects New Officers

Harold M. Keir

PITTSBURGH, Pa.—The Bond Club of Pittsburgh has elected the following new officers:

President: Harold Keir, Jenks, Kirkland & Grubbs.

Vice-President: Bruce McConnel, Singer, Deane & Scribner.

Treasurer: Arthur Humphrey, Hulme, Applegate & Humphrey, Inc.

Secretary: Ralph S. Richards, Jr., Richards & Company.

Bache Co. to Hold Seminar Series

Bache & Co. will conduct the first of a series of seminars on "Profit Sharing Plans" for attorneys at the firm's office in the Chrysler Building on April 15, 1954 at 5:30 p. m.

Allan Rogow of Bache & Co., who will address the assemblage, will speak on:

(1) Factors and objectives which are involved in selecting an incentive or retirement plan of one type or another designed to fit the particular needs of a corporation;

(2) Tax advantages to the corporation, the officer-executive group, as well as to other employes; and

(3) Reasons for the general trend toward profit-sharing plans by corporations, large and small.

Bankers Offer Long Island Ltg. Pfd. Stock

Offering of 200,000 shares of Long Island Lighting Co. preferred stock, 4.35%, series E, at $100 per share, was made on April 14 by a syndicate jointly managed by W. C. Langley & Co., Blyth & Co., Inc., and The First Boston Corp.

Net proceeds from the financing, together with other funds, will be used by the company for the redemption of $10,000,000 par value of outstanding 5.25%, series A preferred stock, and $10,000,000 par value of outstanding 5.25%, series C preferred stock.

The series E preferred stock is subject to redemption, at the option of the company, at prices ranging from $104.25 to $102 per share, in each case plus accrued dividends.

Long Island Lighting Co. supplies electric and gas service in Nassau and Suffolk Counties and the contiguous Rockaway Peninsula in Queens County (New York City). Population of the territory served by the company is estimated at more than 1,400,000.

Operating revenues of the company for 1953 aggregated $66,507,000 and net income totaled $7,733,000. In the previous year, operating revenues amounted to $58,516,000 and net income was $6,312,000.

Federal Farm Loan 2¼% Bonds Offered

The 12 Federal Land Banks offered publicly yesterday through Macdonald G. Newcomb, their fiscal agent, $71,000,000 consolidated Federal Farm Loan bonds to be dated May 3, 1954, and to mature May 1, 1959. The bonds bear interest at 2¼% per annum payable on Nov. 1, 1954, and thereafter semiannually, and are being offered at 100% and accrued interest. They are being distributed on a nation-wide basis through a large selling group of recognized dealers in securities.

Net proceeds from the sale are to be used primarily to repay commercial bank borrowings and to provide funds for lending operations.

The consolidated bonds being offered are the secured joint and several obligations of the 12 Federal Land Banks. These Federally chartered banks are farmer-owned institutions and operate under the supervision of the Farm Credit Administration.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market was in a consolidation area and it probably would have continued that way were it not for a lowering of the rediscount rate. The cut was not unexpected, but the timing of the announcement did contain an element of surprise. There is a good demand around for nearly all issues in the list even though there have been periods of lapses in the nearest term obligations when buyers have not been too aggressive in these securities. The intermediate term bonds are still moving into the commercial banks with the smaller out-of-town ones reportedly now getting competition from the big banks in the New York and Chicago areas. It is indicated that the longer term bonds are getting most of their attention from the smaller commercial banks and pension funds both the private and public ones.

Why there should be changes in reserve requirements of the commercial banks is still the main topic of conversation in the money markets. The feeling is as strong as ever that there will be a lowering of these requirements in the near future.

Strong Buying Continues

There is no important change in the attitude of investors toward the government market even though prices seem to have come to a temporary standstill in a sort of a plateau. It appears, however, as though this resting place will not be of long duration because further ease in the money market should have a very favorable effect upon quotations of Treasury obligations.

The demand for the higher coupon longer term issues, along with the intermediates, is still as strong as ever because there is an ample supply of funds around which are being put to work. The reason the investment of this money has not at this time had too much of an influence upon quotations of these securities is because there have been sellers around, that is, there are those who are willing to take some profits at current levels. On the other hand, the sellers of the government bonds have been putting the proceeds mainly into corporate and revenue issues.

Cut in Reserve Requirements Near?

The most important factor overhanging the money market is the question as to when there will be a reduction in the reserve requirements of commercial banks. To be sure, there is no accurate way in which predictions can be made about when and what the Federal authorities will do about monetary measures because the element of surprise is usually such an important factor with them. Nevertheless, there appears to be almost complete agreement among money market specialists (which is rather an unusual development) that there should be a reduction in reserve requirements, and that it is merely a matter of not too much time before it will take place.

The state of the business picture is the principal reason for the strong opinions that there should be cuts in reserve requirements of the deposit banks. In addition there are plenty of other reasons also being cited by money market specialists as to why a reduction in these requirements should be made at this time. One of these is the flexability factor which is considered by some in the financial district to be much more than just a passing fancy item. It is being pointed out that there should be changes in reserve requirements in both directions, in order to meet the conditions as they happen to be at the time. This gives the money markets the needed fillup and tends to keep quotations from going to extremes in either direction.

To be sure, a cut in reserve requirements at this time would have a favorable influence upon prices of government securities and this could take them up to levels that would not be considered too desirable. However, it is believed by certain money market specialists that there will be a sufficient supply of other than government obligations, especially revenue bonds, to keep any of these securities from going to levels which would not be considered to be favorable. In addition the Treasury will have deficits that must be financed, and by tailoring offerings to the needs of the commercial banks there will be less pressure on the outstanding Treasury securities. Non-bank investors could find an outlet for funds in mortgages, corporates and not-taxable obligations.

Other Credit Ease Possibilities

The economy as a whole would be helped by such a procedure because there would not only be a creation of bank deposits which are purchasing power, but there would also be a financing of projects which would make employment available for those that are in need of it. Commercial banks in many localities, which are in so many respects savings banks, could be helped very much by a decrease in reserve requirements, particularly a cut in reserves against time deposits. This would make more money available for the purchase of mortgages. Even though most of the talk centers around what should be done about reserve requirements, the recent change in the rediscount rate may indicate more vigorous open market operations. From easy to easier credit conditions is still the main theme in the money markets.

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As We See It

to get what he demands than otherwise would be the case. Certainly those who believe in at least a lowering of the tariff wall which has been erected around our economy, have not been idle in behalf of their claims. The fact that we have of late years been pouring out the product of our labors gratis to foreign peoples in unheard of amounts, and the further circumstance that many of the very elements which would do all that they could to block any concessions to foreign competitors are the ones now feeling the greatest dissatisfaction with our liberality, both tend to give strength to the "trade not aid" movement.

Only Scratching the Surface

But let no one suppose that action of this sort would more than scratch the surface of the problems now confronting the world—if indeed it did that much. It would be absurd to suppose that any tariff reductions likely to be made would enable foreign producers to invade this market to the degree that would be required to replace aid with trade and still support export markets for our products on the scale now demanded and apparently counted upon. There are many who believe, and they have much to support their position, that removal of all restrictions on imports into this country would have no such result. The economic ills of the world today are much more far reaching and go much deeper than mere trade restrictions, whether they take the form of tariff duties, import restrictions, exchange controls or any other.

The fact is that there are other movements afoot right here in the United States of America, which are basically inconsistent with any great liberalization of trade and other international relationships. Man's memory is traditionally short. It is not particularly surprising, therefore, that so few among us now seem to remember much about that then much publicized London Economic Conference in 1933. The famous (or should we say infamous) cable of President Roosevelt which so successfully scuttled the gathering which he among others had fostered shocked the world. History will doubtless set it down as one of the real follies of the time. Yet if the truth be told, it was quite consistent with the general economic philosophy which the New Deal espoused at that time and which lingers on in a degree few appear to realize.

President Roosevelt on that memorable occasion said in effect that his Administration had set out to control and to manage the economy in this country in a way he believed necessary to reach certain results domestically which he believed highly desirable. Most urgent at the moment he found to be the price level, but there were also other matters of vital concern. One of these, of course, was full employment, a condition which seemed at that time to be but little short of a "far-off divine event." But the end desired could not be reached here at home, so the argument went, if undue consideration were to be given to our relations with other countries, which would doubtless take advantage of any improvement (or should we say bluntly inflation) to ship goods into this land of ours to displace American workers. In language somewhat more academic, the plans of the President required something approaching "a closed economy" — at least closed so far as any large increase in foreign shipments of goods into our market were concerned.

New Dealish Programs

Before we dismiss this whole subject as of interest chiefly to historians, let it be recalled that there is now on foot a strongly backed movement to persuade, not to say force, the President to proceed with large-scale New Deal-like programs to bolster the inflation which New Deal tactics have fostered in the years since that ill-fated London Economic Conference. Let us bear in mind, too, that the President has repeatedly confirmed his belief in much of this sort of policy or program, and has often assured the politicians and the people that should anything in the nature of a serious depression appear on the horizon a full fledged New Deal program not unlike that of President Roosevelt would be put immediately into effect.

In point of fact, what has already been done in this connection differs only in degree from such a program as is envisaged now and was regularly promoted by the New Deal and the Fair Deal. All thought of a balanced budget in the foreseeable future has been abandoned, and tax relief granted in a form which the New Dealers always have insisted is the way to prevent or to cure depressions. It is futile to argue about the degree in which the Administration or the politicians are to be held responsible for Federal Reserve policy during the past year. The fact is that great pains have been taken to make all sorts of money rates ridiculously low, and to flood virtually all markets with funds artificially created by monetization of the national debt.

Now if by "multilateralism" in international trade is meant free movement of goods throughout the world without competitive exchange rate cutting and panicky movement of monstrous amounts of investment funds, then it must be obvious this goal about which we hear so much today is incompatible with such unilaterally managed economies as is still apparently regarded in Washington as essential to our welfare.

Continued from first page

WHAT DO YOU THINK?

point out that if the program calls for spending more than tax receipts make possible, it is tantamount to saying that only through continuous inflation can economic prosperity be maintained.

And lastly, they aver that by acceptance of the theory of governmentally created purchasing power to secure full employment, we completely neglect the basic factors which could insure a high level of business activity and employment at no cost to the government and taxpayers.

In view of the keen interest evinced in the subject, The "Chronicle" would welcome receiving comments on the views expressed by Professor Wiegand or on any related phases of the subject. Letters should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Pl., New York 7, N. Y.

relaxation that will pay dividends," he observed, adding:

"I am afraid our main job is one of preaching. This is one of the fields in which little can be done by direct orders. The tools and the materials can be provided but the carpenter must want to build. Will the time and energy saved be spent by putting the feet on the desk and thinking or by helping subordinates over their hurdles, or will it be devoted to grabbing additional duties, and the last state of the man become worse than the first? While much depends upon the individual, more is governed by the climate in which he works, and that climate is set by the men at the top."

Trend of Interest Rates Downward: Reierson

Vice-President and Economist of Bankers Trust Company, New York, foresees lower investment demand despite high level of savings.

Dr. Roy E. Reierson, Vice-President and Economist of the Bankers Trust Company, New York, in a study of the current supply and demand factors relating to investment funds, comes to the conclusion that investment demand for funds will decline this year, while the supply of such funds accruing to nonbank institutions will probably be the same general magnitude as in 1953.

Roy L. Reierson

The underlying supply and demand factors, according to Dr. Reierson, indicate that the trend of interest rates is likely to continue downward. Definite signs of more than a casual upturn in business will probably be required to bring about a reversal.

The study by Dr. Reierson is entitled "Investment Funds—Supply and Demand" and consists of conclusions based on a series of tables presenting data for the years 1948-1953 and estimates for 1954. The tables cover corporate, real estate and government financing and sources and uses of funds of the major groups of investors.

Downward Pressures Mild

Dr. Reierson's appraisal of the underlying trends does not indicate a continuation of the sharp declines of recent months. These have reflected market expectations not only of lower demand, but of easy credit conditions and of temperate Treasury refunding.

Looking ahead, Dr. Reierson reasons, the determining factor underlying the movement of interest rates is likely to be the trend of business activity. Unless the decline in employment and incomes is larger than is currently anticipated, the factors at work suggest that downward pressures upon interest rates may be mild rather than potent.

Pronounced Upturn Unlikely

On the other hand, Dr. Reierson finds that "economic forces are likely to operate against any important rise of interest rates in the period ahead." Furthermore, "until fairly conclusive signs of an upturn in business activity appear, both the credit and debt management authorities will probably design their policies so as not to contribute to an important rise of interest rates."

Treasury Long-Terms Likely

A modest offering of Treasury long-term bonds later in the year is assumed in the quantitative estimates of the supply and demand factors at work. Such an offering would not be inconsistent with the Treasury's general objective of not contributing to an important rise of interest rates while business activity remains lower.

State and Local Government Demands Strongest

Among the major classes of borrowers, only state and local governments are likely to have financing requirements as large as last year, the estimates show. Outstanding real estate mortgages are expected to show another big increase, but a smaller growth than in 1953, as the result of a decline expected in housing starts and increased amortization of existing mortgages. Also, net borrowing by the Federal Government is likely to be somewhat lower, reflecting a smaller cash deficit. Dr. Reierson points out that Federal expenditures have been declining for some time, while tax collections, despite reduced rates and lower business activity, will probably show a smaller decline for this calendar year, because of the satisfactory corporate profits of 1953 upon which tax collections this year are based.

On the other hand, new corporate bond and stock financing is expected to drop sharply this year. Corporate requirements for funds to cover plant and equipment will probably evidence only a moderate decrease in comparison with 1953, but working capital requirements are expected to be sharply lower, reflecting some liquidation of business inventories in 1954, in contrast with accumulation in 1953.

Supply of Investment Funds to Be Maintained

"In contrast with the outlook for lower new money requirements from these four major groups of borrowers," Dr. Reierson states, "the volume of funds accruing to investing institutions will probably be of the same general magnitude as in 1953. The growth of assets of savings banks, insurance companies, savings and loan associations, pension trust funds, and state and local government investment accounts in the aggregate is likely to be well maintained in 1954. As yet, there is little evidence that the recent sag in economic activity has importantly curtailed the rate of saving. To make real inroads on the aggregate volume of current savings, the decline in employment and incomes would probably have to be larger than is now anticipated for the balance of the year.

New Bonbright Branch

OLEAN, N. Y.—George D. B. Bonbright & Co. have opened a branch office in the First National Bank Building under the direction of Stephen T. Gilboy.

Rules for Membership in "Coronary Club"

Francis J. Curtis, Vice-President of Monsanto Chemical Company, tells members of the American Chemical Society to "take it easy," and avoid over-work and ill health. Lists cost to chemical producers from executives' and employees' health breakdowns. Advises compulsory vacations and long week-ends to avoid ill health among executives by taking their minds off vexing immediate problems.

In a talk before the Division of Industrial and Chemical Engineering of the American Chemical Society at Kansas City on March 29, Francis J. Curtis, Vice-President of the Monsanto Chemical Company, St. Louis, Mo. advised chemical executives "to take it easy" in their work, and not become a member of the "Coronary Club." As requirements for membership in the "Coronary Club" he listed the following rules, as compiled by A. G. Kettunen:

F. J. Curtis

"(1) Your job comes first; personal considerations are secondary.

"(2) Go to the office evenings, Saturdays, Sundays and holidays.

"(3) Take the briefcase home on the evenings when you do not go to the office. This provides an opportunity to review completely all the troubles and worries of the day.

"(4) Never say NO to a request —always say YES.

"(5) Accept all invitations to meetings, banquets, committees, et cetera.

"(6) Do not eat a restful, relaxing meal—always plan a conference for the meal hour.

"(7) Fishing and hunting are a waste of time and money — you never bring back enough fish or game to justify the expense. Golf, bowling, pool, billiards, cards, gardening, et cetera, are a waste of time.

"(8) It is a poor policy to take all the vacation time which is provided for you.

"(9) Never delegate responsibility to others — carry the entire load at all times.

"(10) If your work calls for traveling—work all day and drive all night to make your appointment for the next morning."

This phraseology is on the facetious side, Mr. Curtis admitted, but "that does not mean it should not be taken seriously." The most deceitful thought in the world is "it can't happen here," he said, adding:

"Somehow we always feel that it is the other fellow whose house will be struck by lightning or whose car will go off the road, but one only has to look in the newspaper to see that these things happen every day and the victims are among those who also thought it couldn't happen to them."

The company as well as the individual stands to lose much if the employee has a heart attack, Mr. Curtis emphasized, for the company faces loss of all the training and experience the man has acquired. Although conceding that there is no precise way to measure the value of a man, Mr. Curtis estimated that in the case of a man aged 47 who started his business career at 22 with a $3,600 salary and had reached the second echelon from topmost management, the employee's value in terms of salary (now $40,000) plus "value added by manufacture" would be at least $425,000.

Despite this great value, however, and despite the study given in the past 15 years to the principles and practices of executive development, not enough attention has been paid to keeping the executives when they have been developed, Mr. Curtis said.

In tackling the problem of executive conservation, the speaker continued, the first approach should be from a psychological rather than medical standpoint.

"I believe that worry has killed more men than cancer, though cancer often gets the credit," he observed.

As one way to reduce worry, he cited the appraisal interview which he said is now being made part of many executive development programs, and in which a man and his superior meet at regular intervals to discuss the employee's situation.

Among other suggestions offered by the speaker were compulsory vacations, enforced by top authority, and a number of minor breaks during the year, such as long week ends or afternoons off for golf, to be taken on schedule and enforced. One chemical company, he reported, is trying out a sabbatical leave of six weeks every third year which must be taken as a unit.

Time for these breaks can be found, Mr. Curtis said, by increasing personal efficiency. The use of an assistant by an executive can spare the executive from excessive detail, he added. Planned activity programs for persons approaching retirement age can reduce their worry over what is in store for them, and thus make their work more effective. Indeed, Mr. Curtis pointed out, a reasonable proportion of outside activities is desirable during the working years, for they "minister to and expand the sense of duty which is reflected in the internal conduct of the job." Civic, business and technical organizations that are worth while must be well run, he asserted, and each man owes a portion of his life to the helping of others.

"The taking of the mind off its immediate problems is of itself a

N Y Cotton Exchange Slate of Officers

Edward J. Wade of Wade Bros. & Co. was nominated for President of the New York Cotton Exchange, it was announced by William J. Jung, Chairman of the Nominating Committee. Also nominated were: Malcolm J. Rogers, for Vice-President, and John M. Williams of Royce & Co., for Treasurer.

Nominated for the Board of Managers were: Alfred Boedtker of Volkart Brothers Company; Bernard J. Conlin of B. J. Conlin & Co.; Alfred B. Emmert, Dan River Mills, Inc.; Tinney C. Tiggatt, New York; Edmund W. Fitzgerald of H. Hentz & Co.; Jewell E. Floyd, New York; Frank J. Knell, New York; George A. Levy of Anderson, Clayton & Fleming; John D. Miller, Jr., of Robert Moore & Co.; Nathaniel H. Morison, Jr., of N. H. Morison; Hugh E. Paine of Abbott, Proctor & Paine; Joseph M. Sauer, New York; Gustave I. Tolson of Geo. H. McFadden & Bro.; Alden H. Vose, Jr., of Kohlmeyer & Co.; and J. Antonio Zalduondo of Orvis Brothers Co.

Messrs. Wade, Rogers, Boedtker, Conlin, Figgart, Fitzgerald, Knell, Levy, Miller, Morison, Paine, Tolson, Vose and Zalduondo are incumbent members of the present Board of Managers who were renominated.

Nominated for Inspectors of Election for 1955 were: Edwin F. Beauchamp, James B. Irwin and Sidney S. Shlenker.

The Exchange will hold its Annual Election on Monday, June 7, 1954.

Joins T. J. Feibleman

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — George P. Dorsey has become associated with T. J. Feibleman & Company, Richards Building Arcade, members of the New Orleans Stock Exchange. Mr. Dorsey was previously with Merrill Lynch, Pierce Fenner & Beane and prior thereto with Kingsbury & Alvis.

William B. Healy Now With Webber-Simpson Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William B. Healy has become associated with Webber-Simpson & Co., 208 South La Salle Street, members of the Midwest Stock Exchange. Mr. Healy was formerly with David A. Noyes & Co. in the trading department.

Clement Evans Adds

(Special to THE FINANCIAL CHRONICLE)

SAVANNAH, Ga. — Samuel Sloan III has joined the staff of Clement A. Evans & Company, Inc., Liberty National Bank Building.

Joins Grimm Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Charles M. Thompson has joined the staff of W. T. Grimm & Co., 231 South La Salle Street. He was formerly with Rodman & Linn.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At the regular meeting of the Board of Directors of **The National City Bank of New York** held on April 13, C. Boice Nourse was appointed a Vice-President. Mr. Nourse, who has served the Bank many years in Columbia and Mexico and who has more recently been Resident Vice-President in Cuba, will be assigned to the Overseas Division at Head Office.

C. Boice Nourse

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Guaranty Trust Company of New York announces the appointment of Thomas H. Jordan as an Assistant Treasurer in the U. S. Government Bond Department. He has been associated with the bank since 1934.

* * *

Appointment of Morris Gartner and Frank H. Wimpenny as Assistant Secretaries at **Manufacturers Trust Company, New York**, was announced April 8.

Mr. Gartner joined Manufacturers Trust in April, 1946. Mr. Gartner is assigned to the Bank's Canal Street office.

Mr. Wimpenny came to Manufacturers Trust in February, 1937. Mr. Wimpenny is assigned to the bank's Queens Plaza office.

Manufacturers Trust Company has put into effect its new Retirement Program for officers and employees of its correspondent banks, Horace C. Flanigan, President, announce on April 8.

In a letter to the Company's more than 2,200 domestic correspondent banks, located in every State of the Union, Mr. Flanigan sent a 51-page booklet containing technical information designed to assist the individual bank in formulating its own pension plan, including a suggested "model plan" and drafts of trust agreements to carry it into effect.

"For some months our trust officers have been working with a group of actuaries, lawyers and pension specialists," Mr. Flanigan said, "to develop a plan that would be suitable for all participating banks, regardless of size. The result is a group pension arrangement which does not incur excessive funding costs.

"Because of the great flexibility of the program, a bank can take advantage of all the benefits and at the same time create exactly the kind of plan it may desire—tailor-made to fit its particular needs."

The general purpose of the plan is to enable any bank, no matter how few its employees, to set up its own individual pension plan.

Manufacturers Trust Company has been a pioneer in providing employee benefits for its correspondent banks, having established in 1947 a Group Life Insurance Plan in which more than 500 banks now participate.

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Herbert L. Golden, a member of the Amusement Industries Group of **Bankers Trust Company, New York**, since 1952 has been elected an Assistant Vice-President of the bank, S. Sloan Colt, President, announced over the week end. Mr. Golden, who is at the Rockefeller Center office of the bank, handles all matters pertaining to the amusement world, particularly the motion picture and television business.

Checks and drafts, personally signed by 29 different Presidents of the United States, are currently being displayed at the Park Avenue and 57th Street office of Bankers Trust Company. The exhibit, believed to be the most complete of its kind, and never before loaned for public display, is free and open to the public, and will continue for the next several months.

The collection is owned by Nathaniel E. Stein and Richard Maass, both of New York, who are members of "The Manuscript Society." They have specialized in the collection of historical and financial American documents.

Included in the exhibit are items signed by George Washington, Abraham Lincoln and Dwight D. Eisenhower. While most are checks, there is also a promissory note of the State of Virginia, endorsed by Washington, and deposited to his credit in the United States Treasury, where the first President had a personal account.

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Hoyt Ammidon was elected a Trustee of the **Greenwich Savings Bank of New York**, it was announced on April 12 by President Earl Harkness.

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The Staten Island Savings Bank, Stapleton, New York, celebrated on April 12 its 90th anniversary, a tea and reception was given for 15 Staten Island men and women who have passed their 90th birthdays and were among the early depositors of the bank.

President Theodore S. Faller said the bank's assets the first year totaled $13,957. This current balance sheet shows assets of $63,-731,537. The bank has branch offices at St. George and New Dorp, N. Y.

* * *

The County Trust Company, White Plains, N. Y., has announced the promotion of Charles F. Kammerer, Jr., John C. Holmes and J. Purdy Ungemack to Assistant Treasurers. All three men will assume new duties soon.

Mr. Kammerer will remain at at the bank's main office in White Plains as head of the cost analysis department and assistant in the supervision of the bond portfolio. Mr. Ungemack will go from cost analysis work in the main office to business development duties in Port Chester and Mr. Holmes from manager of the Bedford office to manager at Mount Kisco.

It was also announced that John H. Macdonald, Assistant Vice-President, currently in charge of the Mount Kisco office, has been assigned to the main office in White Plains and Richard F. Carr, now with the bank's personal credit division, has been appointed to replace Mr. Holmes in Bedford.

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The North Berwick National Bank, North Berwick, Maine, with common capital stock of $75,000 went into voluntary liquidation as of March 31 and was absorbed by **The First National Bank of Biddeford, Maine.**

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Robert D. O'Grady, formerly the senior national bank examiner for the Fourth Federal Reserve District, has been elected Chief Auditor of **Mellon National Bank and Trust Company, Pittsburgh, Pa.**

He succeeds Roy F. Buchman, who is remaining with the Bank in an advisory capacity until his retirement on June 30.

Mr. O'Grady, started his banking career with the **National Bank of Commerce in Columbus, Ohio.** In 1923, he was appointed to the Examining Division of the Office of the Comptroller of the Currency and was assigned to New York. In 1933, he was sent to Washington to assist in the organization of the Federal Deposit Insurance Corporation.

Mr. Buchman, who joined Mellon National Bank in 1905, was appointed Chief Auditor in 1946. He is the author of two publications issued by Bellon Bank for its correspondents, **The Tax Aid for Banks** and **The Audit Aid.** Formerly a Pennsylvania Vice-President of the National Association of Bank Comptrollers and Auditors, he helped to organize the Pittsburgh chapter in 1927. He has had the longest continuous service of any of the Bank's employees.

* * *

At a meeting of the Board of Directors of **The Detroit Bank, Detroit, Mich.,** held April 6, Joseph M. Dodge was re-elected a Director and Chairman of the Board. As Chairman, Mr. Dodge will resume his former duties as the chief executive officer of the bank on April 16, 1954.

Mr. Dodge resigned these positions Jan. 15, 1953, when he was appointed Director of the Bureau of the Budget in the Executive Office of the President of the United States.

Mr. Dodge became affiliated with The Detroit Bank on Dec. 5, 1933, when he was appointed its President.

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The First National Bank of Live Oak, Florida, increased its common capital stock from $50,000 to $150,000 by a stock dividend effective March 31.

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George M. Thompson, was elected a Director of **Union Bank & Trust Co. of Los Angeles** on April 8, according to Ben R. Meyer, Chairman of the Board and President.

Elected to the position of Vice-President by the board were Harry N. Herzikoff and Lauren H. Conley.

Mr. Herzikoff started with Union Bank & Trust Co. 32 years ago as a messenger, advancing through various assignments and managing the collections, real estate loan and installment loan departments successively. He was elected Assistant Cashier in 1943, Assistant Vice-President in 1947 and, recently was assigned to the commercial department. He is a member of the Union Bank 25-Year Club.

Mr. Conley, has been with the Union Bank since 1935. Starting as Manager of the investment analysis department, he was named Manager of the investment department in 1939, and elected Assistant Vice-President in 1951. Mr. Conley was one of a group of bankers who helped organize the California Bankers Association, trust investment committee, of which he has been a member since its inception in 1947.

Others elected by the board include, Eugene T. Bovee, Jr., Warner Heineman, William L. Olsen, and Edwin P. Ziegler, all named Assistant Cashiers. Mr. Bovee was formerly manager of the loan analysis department, to which Warner Heineman was also assigned. Mr. Ziegler was also a former member of the loan analysis department.

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The common capital stock of the **First National Bank in San Rafael, Calif.** was increased from $500,000 to $600,000 effective April 1, by the sale of new stock.

* * *

J. L. Frasher, a branch office auditor of **California Bank, Los Angeles, Calif.** recently observed his 35th year with the Bank. Thirty years of service was completed in April by Glenn L. Pearce, manager of the Bank's Sixth and Grand Office, and 25-year service anniversaries were marked by Jack Fromm, Assistant Vice-President, Public Relations Department, and Glen L. Schluter, Assistant Vice-President, Credit Department. Twenty years of service were completed in April by Ted Fach, Assistant Manager of the Santa Monica Office, and Norman R. Brittle, of **California Trust Company,** affiliate of California Bank.

Work has begun on new quarters for California Bank's Federal Office in northeast Los Angeles. The new bank, to be called the North Broadway Office, is located several blocks from the old location. Harold F. Batchelor, Assistant Vice-President, will continue as manager in the new location.

Continued from page 3

World Needs Restoration Of Gold Standard

power of gold. It is the hyper-elasticity of our Federal Reserve System which made possible the "managed currency" experiment that gave the 1929 depression its severe character and broke the gold standard.

IV

Our Tampering Experiment

It is important to understand that our "managed currency" experiment is tampering with our standard of value.

If one reads our Gold Act of 1900, one realizes that Congress wanted a monetary system in which the purchasing power of the dollar is made to vary with the purchasing power of our standard of value, which is gold. However, the hyper-elasticity of our Federal Reserve System made it possible for us to monetize debt and increase the supply of money and credit to such an extent that the value of gold is made to conform to the purchasing power of the dollar.

In monetary systems which use gold as reserves of central banks there is a relationship between the stock of gold, gold production, credit expansion which gold reserves make possible, and the general price level. Now, the present level of prices is not the result of a normal relationship with the production of gold, but the outcome of huge monetizing of debt in the United States as well as in most other countries since 1939.

If we had not used government debt as monetary reserves the price level would not have reached the present heights and the gold production would be much larger (because costs would be lower). By maintaining our price of gold at $35 an ounce and allowing the price level to increase, thanks to the monetizing of debt and tampering with fake reserves, we have created a situation pernicious to the rest of the world and untenable even by us in the long run.

All the governments have allowed the growth of money and credit greatly in excess of what would have been possible if the conditions regarding the convertibility into gold had been maintained. Therefore the international liquidity in gold has to be restored by a change in the price of gold and by its increase of production, if we are to stop inflation and yet prevent a strong world-wide deflationary trend of prices.

The present price of gold prevents the rebuilding of adequate gold reserves by central banks and forces many countries to maintain exchange controls; it also forces the United States to either tamper with fake reserves or continue monetizing of debt.

In considering the responses to world problems it is vital to realize that in most of the countries gold serves not only as a means to settle foreign balances of payments, but also as a means to sustain confidence in the national currencies. Even if we accept the assumption that the U. S. can still add to monetized government debt to provide artificial reserves for its monetary system, it is a fact that this practice cannot be used any more by most of the other countries because their people have lost confidence in fiat money.

V

The increase in the price of gold is also necessary in order to increase the liquidity of the free world. Gold is necessary in most countries not only for the settlement of international balances but also as a means to maintain confidence in the soundness of the national currency.

The gold reserves of the free world (outside of the U. S. A. and Russia) have increased since 1928 by barely 25 to 30% (in dollars measured at $35 an ounce) while the money supply has increased about four to five times. International trade is about 2½ times the amount in 1938 due mainly to the rise in prices. Yet under a system of autonomous monetary management with most countries hypnotized by the full employment doctrine, the reserves need to be much larger than under a gold standard system with flexible prices and wages. Our own inflationary monetary policy, aiming at full employment and the maintenance or rise of wages and prices, creates the danger of sudden important setbacks and large decreases in our imports.

The present gold reserves appear inadequate even if we take into account the large stock held by the United States; in other words, the gold reserves issue is not only a matter of how the existing gold stock is distributed among the various countries.

VI

Some people contend that a rise in the price of gold means the "devaluation" of the dollar. They simply forget that the dollar has already been depreciated since 1939 by more than 50% due to inflation by monetizing of government debt. I do not believe that monetary inflation can be remedied by monetary deflation, once the inflation has exercised its influence on the level of prices and wages. Therefore our concern should be to stabilize, as far as feasible and compatible with sound money, the present purchasing power of the dollar. This can best be done by changing the price of gold so as to reestablish a normal relationship between gold production and the production of goods.

Many people confuse the quest for a world-wide rise in the price of gold in terms of all national currencies with a quest for a devaluation of the dollar.

I wish to make clear that a devaluation of a currency is usually designed to take care of the lack of balance between internal prices and world prices by a change of the exchange rate, while a world-wide adjustment in the price of gold is designed to reestablish a normal relationship between gold production and the production of goods without giving rise to a strong deflationary trend of prices. The adjustment in the price of gold is essentially an international issue and does not necessitate a change in exchange rates.

VII

Some people maintain that the discipline of the gold standard will function when we don't need it and that Congress or parliament will abolish any law preventing inflation if they think they ought to have it.

It is obvious that a democracy, endowed with universal suffrage, can forego any kind of discipline or restraint if it so chooses. But it is well to keep in mind that the discipline of the gold standard mechanism becomes too severe only if we mismanage our monetary and fiscal affairs and if the commercial banks abuse the use of credit, and particularly if they extend long term or inflationary bank credit.

The remedy is therefore to make impossible by legislation the abuse of credit by the banks and to amend the Constitution so as to prevent us from suspending the gold standard in time of peace.

VIII

It is contended by some that a free market for gold or the redemption of currency will lead people to hoard gold. Historical facts do not support this view. As long as our monetary and fiscal affairs will be managed competently and wisely (and this can be done only with the help of the gold standard discipline and proper banking laws) no one will be inclined to buy gold as a protection against the deterioration of the currency. People have no desire to hoard gold because gold does not earn any interest.

IX

Some people hold the view that a rise in the price of gold would benefit the Soviet Union. First of all, the suggestions that the Soviet Union has a large production of gold and large reserves are largely unsupported. Furthermore, on this theory, are we not also helping the Reds when we are selling goods at low prices? Why is it acceptable to us to pay normal prices for manganese or other Russian goods and not for gold? The best proof that gold is maintained artificially and arbitrarily at a low price is the small production of gold. Our very "gold policy" is proof that the price of gold is maintained artificially low; otherwise we would have no reason to fear that people might hoard it. Gold is certainly more important to the preservation of a free world than are most of the other materials the free world buys from Russia. As a matter of fact, I contend that Russia is rendering the free world, albeit by necessity, a great service in selling gold to it.

It seems to me a sounder argument that if we don't restore monetary order we are strengthening Russia's hand because we make ourselves more vulnerable to inflation and depression, and thus foster social troubles and agitation.

X

What is wrong with the kind of restricted international gold bullion standard we have in the United States?

(a) American residents cannot redeem their dollars into gold. Worst yet, they cannot hold gold. The least we should expect from a gold bullion standard is that there be a free market for gold, and that its export and import should be possible without any interference from the government. In our system we have put gold in the anomalous position where it is neither "money" nor a merchandise.

(b) In a gold standard system there should be a correspondence between the purchasing power of gold and that of the monetary unit, in our case the dollar. What we have had in the United States ever since World War I is a kind of arbitrary standard, or, if we prefer, a dollar standard. Because of the hyper-elasticity of the Federal Reserve System and of the great economic power of the United States, the purchasing power of gold is made to conform to the purchasing power of the dollar, instead of the reverse, as should be the case in a real gold standard system.

XI

The least we should do right now is to restore the right of the Americans to hold gold, to export and import it as they wish. In other words, we should restore a free market for gold, to get away from the anomaly where gold is not considered a commodity.

We should also stop selling gold to industrial users. They should buy the gold they need on the free market.

XII

Prerequisites to Return to Gold Standard

The steps I consider essential for a return to a gold standard are the following:

(a) Stoppage of inflation and specifically stoppage of further monetizing of government debt by the Federal Reserve Banks and the commercial banks. There should also be an upper limit, very near the present one, of government bonds which the Federal Reserve Banks may hold.

(b) A free market for gold in the United States and the freedom to export and import gold.

(c) A change in the method of operation of the Federal Reserve System so as to create a closer relationship between our gold reserve and the money supply.

(d) A change in the price of gold to about $70 an ounce. It would take long years and well thought technical precautions to determine on the free market what the new price for gold should be, assuming a worldwide readjustment of the price of gold. Contrary to the opinions expressed by some experts, I believe that we can calculate, with a rough approximation, what the new price of gold should be to avoid a strong deflationary trend of prices.

(e) I would not consider it essential at the beginning that we redeem our money into gold bullion or gold coin, provided we have a free market for gold.

(f) After a few years of operation under these conditions we should consider the return to a gold coin standard.

Railroad Securities

Proposed Tax Bill Would Penalize Many Carriers

It apparently has not been very widely recognized that the omnibus tax revision bill, which has already been passed by the House and on which Senate hearings began last week, has serious implications for a large number of railroads. The sections in question were designed to plug certain loopholes which it was felt had been taken advantage of by some small closely-held family organizations. If these sections are passed as now written, however, they would presumably penalize all of those railroads with income bonds outstanding and those railroads that emerged from bankruptcy with preferred stocks that are still outstanding. Concerted effort is being urged to forestall this possibility.

As has been demonstrated, a healthy railroad industry is essential to an efficient national transportation system. The railroads are one of the most important cogs in our defense efforts and in event of actual war would obviously be called upon again to handle the bulk of the freight and troop movements. To maintain an adequate plant to provide for such emergencies heavy expenditures on roadway property and equipment are necessary. For the past five or six years the railroads as a whole have spent in excess of $1 billion annually on capital improvements, in addition to liberal maintenance outlays. Analysts point out that even now earnings are not adequate to support the necessary physical improvements or to attract the necessary new capital. With this background it is felt that any additional burden imposed at this time might have serious repercussions on our entire defense set-up. Aside from this practical consideration there is the moral question of penalizing one type of security that was provided for in virtually every railroad reorganization by the ICC.

There are two ways in which the railroads might suffer if the tax bill is passed as written. There are, first, sections 275 and 310, which collectively, have been interpreted as eliminating the tax deduction now allowed for income bond interest. The gross inequity of such treatment is highlighted by the fact that practically all, if not actually all, of the railroad income bonds now outstanding were issued in reorganization in exchange for old fixed interest bearing bonds. The new provision would not eliminate the tax deductibility of fixed interest. The implications of this proposal are obvious when one considers a hypothetical case of a railroad with contingent interest requirements of $1 million and income available for such interest last year of $2 million. There would have been adequate coverage of two times requirements. Under the new proposal a Federal income tax of $1,040,000 would be imposed and the interest charges would not even have been covered.

The second phase is contained in section 312 of the tax bill. This would impose a prohibitive tax on the redemption or repurchase of income bonds and preferred stocks that sold at substantial discounts from par or stated value when the individual roads originally emerged from bankruptcy. The difference between 105% of the original price at which the bonds or preferred stock first sold after issuance and the price at which it was to be redeemed or retired would be subject to an 85% tax, payable by the company. One result of any such tax would, of course, effectively freeze into the present capital structures the existing income bonds and preferred stocks. As most income bonds sold at extremely low prices when first issued this would also impose a serious burden with respect to sinking fund operations, a provision insisted upon by the ICC in order to assure orderly future debt retirement. In this instance conservative financial practices would involve heavy penalities. It is almost impossible to believe that the House foresaw any such consequences when the bill was drawn up.

This section of the bill would also make impossible consummation of any such plans as were contemplated by Chicago & Eastern Illinois and Western Pacific which were discussed previously in this column. Chicago & Eastern Illinois, for instance, contemplated offering holders of its $40 class "A" stock ($2 preferential dividend) par-for-par in new 5% income debentures. This stock originally sold below $2.00 a share. Taking $2.00 as the base of 105% of original selling price and $40.00 as the effective redemption price, the company would have to pay a tax of 85% of the difference, or $32.30 a share, to effectuate the plan. That would obviously be an impossible impost for the sake of revising the capital structure.

Advocates an Open and Inquiring Mind in Chemical Education

Prof. Raymond E. Kirk, recipient of the $1,000 Scientific Apparatus Makers Award in Chemical Education, holds controversial subjects should not be ignored in the class room and teachers should present all sides of a controversial subject.

Controversial subjects should not be ignored in the classroom—on the contrary, the teacher should discuss both sides of any currently controversial subject in his field, and then give his own opinion on it, is the advice given by Professor Raymond E. Kirk, Dean of the Graduate School of the Polytechnic Institute of Brooklyn, in his address at Kansas City, on March 31, when he was the 1954 recipient of the $1,000 Scientific Apparatus Makers Award in Chemical Education. Dean Kirk, who also is head of the chemistry department of Brooklyn Poly, was honored at a dinner at the Division of Chemical Education of the American Chemical Society in the University of Kansas at Lawrence, Kansas.

Raymond E. Kirk

"The teacher must cultivate an open and inquiring mind," Dean Kirk asserted. "He must avoid dogmatism both in his scholarship and in his teaching. He has a duty to present and to document dissenting views. Ample time should be devoted to the pros and cons of any scientific topic on which there is current difference of opinion.

"To neglect the controversial in current science is likely to result in a sterile course. Chemistry is a real, a growing science: Its experiments are never finished, its theories are never final, its controversies are never settled.

"The teacher must always present all sides of a controversial topic as fairly as he can and as fully as time will permit. However, he has a further duty! **He must himself express an opinion. Neutralism** is as fatal to the development of independent thought as is **dogmatism.** Having done this he might well do his best to encourage disagreement on the part of his students. He is not engaged in winning an argument, he is attempting to foster independent thinking by his students. Weight of authority is one thing, ex cathedra statements are another!"

The problems of recruiting and retaining teachers of chemistry must be considered realistically, Dean Kirk said. The supply of able and devoted young teachers seldom is anywhere near the demand, he pointed out, partly because of the great difference between starting salaries in the chemical industries and in the colleges and universities.

"These differences are very likely to persist," he continued. "I would like very much to see starting academic salaries come much closer to starting industrial salaries. However, I hope they never become equal! The young person who plans to teach chemistry might well have his motives tested and his sincerity proved by financial tests. The profession of teaching, like that of the ministry, can always profit by some measure of devotion. There are so many ways open for a career of science that only those who can 'gladly teach' should undertake academic careers."

Dean Kirk made it clear that he considered a thorough training in science more important than training in teaching methods for the prospective teacher. Teaching methods, he said, "can and will be acquired by the young teacher either through observation or reading."

The general chemistry course should give the student some understanding of the cultural value of science, the speaker asserted. Too often, he observed, discussions of curricula and of the objectives of college training suggest that knowledge comes in separate compartments and that an appreciation of human culture comes only from a study of "the humanities."

Although conceding the need for oganization and administration in universities, Dean Kirk warned against too much of either. Urging that more emphasis be placed upon a thorough and complete understanding of objectives and procedures in education and much less upon formal details of organization, he said:

"A faculty in any field and in all fields should exist as a community of scholars and teachers. Free, frequent, and oftentimes informal discussions are much better than highly formalized schemes of administration so often relied upon to insure 'faculty democracy.' Much more faculty democracy can be induced at the luncheon table or over martinis than can ever result from formal committee meetings with 5-to-4 votes."

A college faculty has the responsibility of maintaining an atmosphere of enthusiasms about learning, the speaker noted, and to maintain such an atmosphere good teachers are more important than laboratory equipment and buildings.

"I have seen good teaching and the development of outstanding scientific enthusism in laboratories where the desks were planks laid on sawhorses, but there were men in those laboratories," he declared.

R. D. Cavanaugh Now With Paine, Webber

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert D. Cavanaugh has become associated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. Mr. Cavanaugh was formerly with J. R. Williston, Bruce & Co. and Conrad, Bruce & Co., of Los Angeles.

Chicago Analysts to Hear

CHICAGO, Ill. — Charles G. Mortimer, President of General Foods Corporation, will address the luncheon meeting of the Investment Analysts Society of Chicago on Thursday, April 22, in the Georgian Room, Carson Pirie Scott & Co., at 12:15 p.m.

On May 6, George P. Hitchings, Manager of the Economic Analysis Department of the Ford Motor Company, will be speaker.

Continued from page 9

Agriculture as a Resource To the Chemical Industry

lor and others and in the phosphate group are parathion, methyl parathion, malathon, Metacide, Systox, Pestox III, TEPP, EPN, etc. Others are toxaphene, ovex, Aramite, allethrin, Sulfenone, Genite 923, Geigy 338, Dimite, etc. An indication that the volume of insecticides used is very large is the fact that 80 million pounds of just four products (DDT, parathion, aldrin and chlordane) were used in a recent year.

These newer products have accomplished results that seemed beyond attainment 10 years ago but their use has not been without serious problems. Some of them, used for the control of certain pests, have reduced the populations of the natural enemies of injurious insects and thus created problems that have not existed before or are difficult to control. Another and even more serious problem is the development by insects of tolerance or resistance to the chemical being used. This condition has been outstanding with flies and is developing with several other insects. Tolerance apparently develops rather rapidly under some conditions with the chlorinated hydrocarbons but more slowly or to a lesser degree with the phosphates. The general indication, however, is that the insecticides currently available or under development will be used more widely than now and that such use will be profitable and accomplish results that have not been possible in the past.

Fungicides. The most intensive use of fungicides is on fruit, vegetable and special crops rather than on field crops but there are some unsolved problems, such as the rusts of small grains, which would be large potentials if good chemical control measures are developed. Sulphur, copper and mercury products dominated the fungicide field for many years and are still important but numerous new organics have appeared that have advantages over older materials for many uses. Among the new materials are the dithiocarbamates, glyoden, captan, Phygon, Chloranil and others. Antibiotics, such as Actidione and Streptomycin are giving promise for special uses on fruits. Some of these materials are protective in action, that is, they prevent infection by the organism, others are eradicative in that they will kill established pathogens and much attention is being given to systemic materials that move in the sap stream of the plants. A characteristic of many modern fungicides is that they are very specific. One may be effective against cedar rust, one good for apple scab and one for cherry leaf spot but there are cases of rather general activity. Host tolerance, or lack thereof, is frequently a determining factor in the acceptance of a fungicide.

Soil Fumigants. Chemicals injected into the soil for the control of certain insects, such as wireworms, and nematodes have been used for some time but it is only in recent years that the seriousness of the nematode problem has been realized. Farmers and research workers have usually be cognizant of the root knot nematodes, which are widespread, and of some special forms such as the sugar beet and the golden nematode, but most of them have been unaware of the fact that there are many other forms that cause serious injury to the roots of plants. Nematodes generally do not thrive well in the so-called "heavy" soils and this is perhaps fortunate as it is very difficult to satisfactorily treat such soil. I am not aware that nematodes are of widespread importance in this seven-state area but I doubt if there has ever been a reliable survey made or that there is any good reason for making one. An exception to this is southeastern Missouri where nematodes on cotton create a serious problem and there are undoubtedly other areas in this district where nematodes are economically important. Soil fumigation is expensive and is normally not profitable except on high value crops. The two most commonly used materials are ethylene dibromide and the dichloropropene-propane mixture. Methyl bromide is very effective not only for nematodes but for weed control and is adaptable to small areas such as seed and plant beds, nursery plots, etc.

Grain and Space Fumigants. I wonder how many of you realize, when you see the many grain storage structures throughout grain growing and milling areas, that the grain in them is subject to insect damage and that chemicals are widely used to avoid such damage. The great volume of grain grown, stored, and milled in this seven state area makes such insect control an important consideration. One approach to the problem is the use of protective materials which are applied when the grain goes into storage. Two products which are used in this way are: (1) a mixture of piperonyl butoxide and pyrethrin and (2) calcium cyanide. Stored grain is treated extensively with several volatile chemicals, including ethylene dibromide, carbon tetrachloride, ethylene dichloride, carbon bisulfide, methyl bromide and chloropicrin. They are usually in combinations of various kinds. Mill and space fumigation is done with methyl bromide, HCN and chloropicrin and residual treatments of walls, floors and empty bins in mills and grain storages is made with lindane, piperonyl butoxide-pyrethrin mixture and DDT.

Defoliants and Desiccants. The development of mechanical harvesting equipment such as cotton pickers and combines has created a need and demand for chemicals to defoliate or mature crops so that direct mechanical harvesting of the standing crop can be accomplished. There are two general objectives in such operations; (1) to remove leaves from or to ripen or desiccate the crop to be harvested and (2) to desiccate weeds growing in the crop that interfere with the harvesting operation. There is also a strong interest in chemicals to control, early in the season, the weeds that interfere at harvest. Large amounts of chemicals are used for cotton defoliation. An estimate for 1952 was 40,000,000 pounds. Cotton is treated with any one of several chemicals or combinations such a calcium cyanamide, sodium chlorate-sodium pentaborate mixture, sodium monocyanamide, pentachlorophenol, Endothal, magnesium chlorate and sodium chlorate-magnesium chloride mixture. Actual defoliation is usually desired on cotton which requires a chemical which sets up in the leaf a condition that results in the formation of the abscission layer and consequent dropping of the leaf. All the materials just mentioned, except pentachlorophenol, will, under favorable conditions, cause defoliation of cotton. Desiccants, on the other hand, simply kill leaves and plant parts without the formation of the abscission layer. The presence of the dead leaves is not objectionable in some crops such as the seed crops of alfalfa and other legumes. There is a strong interest in defoliation or desiccation of several other crops.

Herbicides. The use of chemicals for the control of undesirable vegetation is one of the outstanding developments of recent years in agricultural practices. Chemicals such as sodium chlorate, boron compounds, arsenicals and others were recognized and used as herbicides before the current era of organics and are still used in large quantities, but the introduction of 2, 4-D about 10 years ago was the beginning of this very important development. This change has coincided rather closely with the shift of much farm labor to other occupations, the rise in the cost of that still available, and with the increased mechanization of agriculture.

The older materials mentioned were and still are used for the control of deep rooted perennial plants such as bindweed and leafy spurge and for the prevention of plant growth for rather long periods of time but the newer materials have opened many new fields of vegetation control. Some of the uses to which they are being put includes weed control in crops and on crop land; to remove trees, bushes, brambles and weeds of many kinds from pastures and range land; to control weeds in turf; to control undesirable vegetation on right-of-ways of highways, railroads, power and telephone lines, pipe lines and in or along drainage and irrigation ditches; to eliminate vegetation, by short- or long-time sterilization, from railroad road beds, bridge heads, around telephone or telegraph poles, in pole yards and other storage or special areas where vegetation creates a fire or other hazard or inconvenience; to selectively control vegetation on game land and to remove or stunt undesirable and competitive species in areas under reforestation. These problems offer a real challenge to governmental and industrial research organizations and a large market for the chemical industry.

A large number of chemicals are used or are under development. Among them are 2, 4-dichlorophenoxyacetic, 2, 4, 5-trichlorophenoxyacetic, 2-methyl-4-chlorophenoxyacetic and 2, 4, 5-trichlorophenoxypropionic acids; trichloroacetic acid, 2, 2-dichloropropionic acid; 4, 6-dinitro-o-sec. butylphenol, 4, 6-dinitro-o-cresol and pentachlorophenol; ammonium sufamate, phenyl mercuric acetate, isopropyl - N - phenylcarbamate, and isopropyl-N-(3-chlorophenyl) carbamate; 3-p-chlorophenyl-1, 1-dimethyl urea and related compounds, 3, 6-endoxohexahydrophthallic acid; N-1-naphthyl-phthalamic acid, sodium 2, 4-dichlorophenoxyethyl sulfate, maleic hydrazide, potassium cyanate, calcium cyanamide, Stoddard solvent and aromatic oils.

I have given some indication of the wide variety of uses to which herbicides may be put and the chemicals that are used and I think you will be interested in knowing how extensively they are actually being used. This seven state area with the corn belt states to the immediate east and the small grain industry to the north in three provinces of Canada offers a large market for herbicides and a rather complete survey[6] for this area for 1950 shows that a total of 25.9 million acres of crops were treated with 14.6 million pounds of 2, 4-D and 2, 4, 5-T (12.2 in the United States and 13.6 million acres in Canada). A detailed report of herbicide use in 1953 in Minnesota[1] gives us an interesting picture of what happens when there are weeds to be controlled and a well organized weed control program. This is summarized in the following tabulation:

Acres perennial weeds (field bindweed and leafy spurge) treated, 37,704.

Acres wheat, oats, barley, flax and corn treated, 2,671,309.

Acres meadow, pasture and brushland treated, 172,631.

Power sprayers in use, 24,045.

Miles of state, county and township roads sprayed, 36,133.

Miles telephone and power line right-of-ways treated, 4,508.

Miles railroad right-of-ways sprayed, 2,896.

Miles ditches sprayed, 2,201.

Another interesting estimate, perhaps it should be called a guess, is that 500,000 miles of right-of-ways will be sprayed in the United States in 1954.

I think you will all agree that the use of chemicals for the control of vegetation has been an outstanding and even a revolutionary development.

Food Supplements. Many chemicals are used with animal feeds to improve the growth and health of the animal or to control diseases The list includes vitamins such as niacin, pantothenic acid, choline, vitamin B3 and synthetic vitamin A; minerals in the form of calcium phosphates, limestone, potassium iodide, manganese sulfate and other trace elements; antibiotics including penicillin, terramycin, aureomycin, and bacitracin; amino acids such as methionine and lysine; suffaquinoxaline for coccidiosis and antioxidants to stabilize carotene in alfalfa.

Veterinary Pharmaceuticals. The animal industry is an important outlet for many pharmaceutical chemicals but no attempt will be made to list or discuss them here.

Accessory Materials. The ramifications of the production and formulation of agricultural chemicals is great and goes far beyond the chemicals just discussed. The intermediate and basic materials used in their manufacture are of signficant importance to the chemical industry in general and large amounts of solvents, emulsifiers, wetting agents stabilizers, inhibitors, etc. are used in the formulation of agricultural chemicals.

Responsibilities. I have been depicting a bright picture for the use of chemicals in agriculture and I am sure that I have not exaggerated in any way with regard to current use and I am confident that continued progress in the development of new agricultural chemicals and intensified educational programs with farmers on the use of those now available and others to come will result in a greater market than is now being enjoyed. On the other hand, I feel that it would be unfair to all concerned if I fail to indicate and discuss some of the problems and responsibilities which must be faced by any segment of the chemical industry that elects to enter the agricultural field. There are many steps involved in carrying a compound from the laboratory to the point where it can be sold to the farmer and I can assure you that only a very small percentage of them are good enough to go all the way.

Steps in Development. The first step is synthesis and when compounds are made they are subjected to standardized screening tests against various kinds of organisms (insects, fungi, bacteria, plants, etc.), to determine if they have any activity. Compounds that show activity in these tests are usually subjected to more critical and comprehensive studies. The promising ones are carried to small scale field studies and as the number is rapidly reduced they are moved on through increasingly intensive studies. Good statistics on survival of compounds are not available but it is generally believed that not more than one in 2,000 carries through to some good use.

There is no fixed policy concerning these various steps to which all industry units adheres but there is developing a strong feeling in both industrial and publicly supported research organizations that industry should be responsible for carrying compounds through the early and intermediate stages of study and to have established that they have a reasonably good chance of being a satisfactory product before they are given to the agricultural experiment stations for study. Many experiment station workers are objecting to the policy followed by some of sampling products that have not been thoroughly evaluated. They also resent being asked to work with products before the producer has become reasonably certain that he can manufacture and sell it at a price that farmers will pay.

The foregoing remarks have had to do mainly with the biological activity of a compound—in other words, is it a good insecticide, fungicide, herbicide or nematocide? This is all important and necessary but there are other equally important types of information that must be developed along with biological activity data. This includes the development of processes for making the chemical and the design and construction of pilot and production plants. These are important steps but will not be discussed here. Other problems are formulation, toxicology and residue studies.

Formulation. Most organic compounds are not usable in their natural state and have to be put into the form of wettable or soluble powders, dusts or into liquid forms that are water or oil soluble or emulsifiable. This involves a careful study of wetting and dispersing agents, solid diluents, emulsifiers, solvents, stabilizers, inhibitors, etc., and there is no rule of thumb that can be followed. Packaging, corrosion, shelf life, compatibility with other materials and with various types of water are all very important.

Toxicology. A very important and necessary step is the toxicological study of the compound. This requires much time and is costly. The first step may be referred to as the "preliminary toxicological study" and is principally to determine unusual handling hazards in plant production or in the field. The cost of the preliminary test will range from $300 to $500 or more and this is made on many compounds.

The second step is "toxicological evaluation" which consists of a 90 to 120 day feeding test on rats to determine the effect of repeated administration. Other tests may also be made at this stage and the cost of the evaluation is usually in the range of $3,000 per compound. The third stage is the extensive toxicological studies which include a two year feeding test with rats and a one year study on dogs. In addition to these long-term studies experiments are conducted to determine variations in species susceptibility and to learn how the compound is handled by the animal. This group of studies requires about three years and the cost for a compound may range from $25,000 to $35,000. I think it is obvious that only very promising materials are carried into such studies.

Residue Determinations. Residue data for all crops with which the compound is to be used are necessary and obtaining such information is somet[illegible] extremely difficult. There [illegible]o stages to study, the fir[illegible] to develop a basic me[illegible]r determining the ch[illegible] and the second is to a[illegible] the basic method to each [illegible] which it is to be used. T[illegible]y involve

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[6] Stahler, L. M., Use of 2, 4-D and 2, 4, 5-T. Agricultural Chemicals, April, 1951.

[1] Bjerken, Sig., 1953 Chemical, Sprayer, and Weed Infestation Data. Minnesota Section of Weed Control, Circ. 4, December, 1953.

12 to 15 or more crops and the adaption procedure may be rather simple or it may be extremely difficult. The sensitivity of the method must be such that hazardous amounts of residue can be determined, for instance, if a residue that can be considered safe is 1 ppm the method must be sensitive to 1 ppm or less. I do not have accurate information on the cost of residue studies but they may run to as much as $25,000 to $30,000 or more for some of the difficult ones that are to be used on several crops.

Total Research Costs. It would be difficult, if not impossible, to assemble accurate information to cover the costs of synthesis, screening, early and advanced field study and formulation, toxicological and residue studies, but some interesting estimates are available. Persing,[7] of Stauffer Chemical Company, in 1951, gave a range of $165,000 to $335,000 which includes production research and pilot plant construction. Wellman,[7] of Carbide and Carbon Chemicals Company, in a more elaborate analysis, arrived at the seemingly staggering figure of $1,383,000 and this includes the cost of the work on all compounds that fell out along the way, of industry supported work in experiment stations and state and Federal research. I think it is unnecessary for me to elaborate on these figures except to add that a research man with a company active in the agricultural field recently told me that his company had spent $2,000,000 on a product just entering the sales stage.

Intangible Factors. There are also some intangible factors that are important. One is the question of specificity which is the bane of the user because he would like to have one herbicide, one insecticide and one fungicide and it is a problem to the producer because it limits the volume of a product and creates marketing and inventory problems, but the trend is more toward specificity than away from it. Another factor is what might be called the "life span" of a product and this sometimes is very short which makes it necessary to give careful consideration to capital expenditures for producing a new product.

I hope I have not thoroughly confused you on this situation but when soil, crops, weeds, insects, diseases, nematodes, weather, animals and human beings are involved the situation can become very complex. I am simply trying to indicate that entering the agricultural chemical field involves many problems and heavy responsibilities.

May I say in bringing this discussion to a close that agriculture needs chemicals for many purposes, it will accept and use them if the cost is reasonable, if such use is economically profitable and if the hazards involved in their use are not too great. We now have chemicals for many purposes that will be extremely difficult to displace and it will not be easy to enter the large fields where they are being used. On the other hand, there are many problems for which we do not have satisfactory answers.

Chemicals will be utilized to best advantage by the larger, progressive, well informed farmers and I am sure that the use of many of the chemicals currently available will expand and that worthwhile new products will be developed which all adds up to the desirable situation of the Chemical Industry being a Resource to Agriculture to supply the many products needed to produce plants and animals and Agriculture is an excellent Resource to the Chemical Industry because it supplies some raw products and is an excellent market for chemicals.

7 Wellman, R. H., Economics of Developing Agricultural Chemicals. Agricultural Chemicals, September, 1952.

Public Utility Securities

By OWEN ELY

Brooklyn Union Gas Company

Brooklyn Union Gas serves natural gas to some 853,000 customers in an area covering most of Brooklyn and a large part of Queens County, with a population of 3,138,000. Residential sales contributed 71% of 1953 revenues, which amounted to about $47 million; commercial sales provided 19%, industrial (firm) sales, 9%, and interruptible business, 1%. Revenues showed a gain of about 3% over 1952 although sales in mcf. were nearly 6% higher. The company was handicapped in the 1953 heating season by the fact that the temperature was the warmest for any year since 1871.

The company converted to straight natural gas in August, 1952, abandoning its coke oven plant. The water-gas manufacturing equipment was converted to the production of 1,000 btu oil-gas, which can be used for standby and peak-shaving purposes. The conversion of customers appliances—probably the largest such program undertaken by any gas utility—cost some $21 million. This amount, together with the $4.6 million net cost of abandoning the coke-oven plant, is being amortized over a ten-year period. In 1953 amortization amounted to $2,520,000, an increase of $1,260,000 over the 1952 charge.

Despite this extra burden on expenses the company earned $2.12 per share of common stock in 1953 compared with $1.79 in 1952. This was a substantial gain over the earnings for the 12 months ended June, which were only $1.45, or less than the $1.50 dividend. The latter earnings reflected an increase in the cost of gas imposed by Transcontinental Gas Pipe Line. However, on July 10 "a purchased gas adjustment clause" was incorporated in the rate schedule by permission of the PSC, permitting an immediate rate increase to recover the higher cost of gas.

The company did not take advantage of the increase with respect to rates for househeating—in fact, these rates were reduced in order to improve the position of gas in competition with other fuels. The company worked hard in 1953 to promote additional conversions to gas househeating, as well as to improve the commercial load. Sales of appliances in 1953 amounted to $6.5 million, the second highest merchandising year in the company's history. Including sales by other vendors, the new appliances are expected to produce increased revenue of $2.8 million.

Some 8,600 new househeating units were installed, nearly double the number in any previous year, these units accounting for about three-quarters of the new load. Profits on appliance sales were a major factor in a 36% reduction in net promotional costs. The sales efforts included a 50% expansion in the field sales force, a substantial newspaper advertising campaign, an independent dealer financing plan, etc.

About one-fifth of the heating installations represented commercial and industrial establishments: and other commercial and industrial uses of gas for water-heating and processing enjoyed increasing acceptance through the year. In this field the introduction of an eight-month off-peak rate is expected to attract a comparatively new and substantial market, that of large volume water-heating in apartment houses, and spring and fall heating in large buildings.

Flexibility of gas makes it a prime fuel for large industrial heat-treating processes such as annealing. In the commercial field, Brooklyn Union has pioneered with the tankless water-heating system which enables a modern "diner" or small restaurant to pack its gas water-heating and air-conditioning equipment into an extremely limited space.

As the result of the establishment of a new large-volume interruptible rate, contracts were signed with three new interruptible customers, American Sugar Refining, A. Schrader's Son, and the American Molasses Company. These customers, together with the Kent Avenue power plant of the New York City Transit Authority, will have a maximum daily use of about 22.5 million cf.

As a result of the changeover to natural gas, the company has been able to reduce the number of employees as well as overtime pay, effecting an 11% reduction in payroll in 1953. This was a substantial factor in the improved earnings. Sales per employee increased from $4.03 in 1950 to $6.38 in 1953 and should continue to improve.

The company received some additional gas, originally allocated to New England, last winter. To provide for future growth agreements for both storage service and firm service were reached late in 1953 with Transcontinental. The latter company expects to use the storage facilities of Texas Eastern Transmission, to which it will be connected. This will mean additional gas next fall, and a year later Brooklyn Union may obtain a further increase (if the FPC approves) through an agreement with Tennessee Gas Transmission, which is planning to bring gas to the New York area.

The attached table shows the common stock record during the past decade. The stock is currently selling around 30 to yield 5%.

Year	Revenues (Millions)	Common Stock Record: Earned	Dividends	Approx. Range
1953	$47	$2.12	$1.50	27½–22½
1952	46	1.79	1.50	27½–24½
1951	44	2.22	1.50	25½–19½
1950	42	1.80	1.13	22½–16
1949	40	2.16	0.65	19½– 9½
1948	38	0.61	nil	11½– 8
1947	31	d0.15	0.60	14½– 8
1946	29	1.10	0.80	19½–12
1945	27	1.40	0.58	18 –10½
1944	26	1.37	0.25	11 – 7½

d—Deficit.

Securities Salesman's Corner

By JOHN DUTTON

Unlisted Market in Listed Issues Broadens

For many years some of the unlisted houses have been of the opinion that if the NYSE would establish a plan whereby non-member firms could become associates of the exchange, and a portion of the commissions would be paid to them instead of the present arrangement where non-members cannot participate in commissions charged, that there would be more business generated and all would benefit. This proposal is working out advantageously for some of the regional exchanges. The business of these outside exchanges (not located in New York) is growing. More business is developing and the future of these exchanges that are allowing non-members to participate in commissions looks better every month.

The Off-the-Exchange Market

As a result of the opportunity afforded through the refusal of the New York exchanges to allow non-member firms to participate in commissions there is another market that is growing larger constantly—I refer to the unlisted market in such stocks as Bethlehem Steel, Montgomery Ward, Inland Steel, Telephone, Chrysler, G. M., Standard Oil of N. J., du Pont, and other blue chip market leaders. If you will check a bit you will notice that several unlisted houses are developing an excellent market in such issues over-the-counter. The other day a dealer friend of mine showed me an execution that he made for a customer through one of the unlisted houses in 300 shares of Telephone. The order was executed right on the button, strictly in line with prevailing exchange quotations and his firm earned the $150 commission that otherwise would have gone to the member firm that would have executed the order. Now $150 isn't a fortune, but if enough unlisted houses start trading in Telephone and begin to make the regular N. Y. S. E. commissions themselves rather than passing it on gratis to the exchange firms, it could in the aggregate mean quite a loss to exchange firms. Wouldn't it be better for the exchange to combat this trend by, one way or another, permitting non-members to share in commissions?

Using Market Leaders to Open Accounts

There is a strong psychological advantage in the favor of dealers, for instance, in advertising and offering a stock such as A. T. & T. I know of a dealer in Boston who has been keeping his sales force active just following up double return cards that suggest the purchase of Telephone common. This dealer executes his orders over-the-counter. More non-member firms would do the same thing with a lot of listed stocks if they were given a take in the commission. The main advantage in offering a prominent stock like A. T. & T. is that accounts are opened and the sales resistance is greatly reduced when a new salesman or a new firm calls upon a potential investor for the first time and suggests such a purchase. On odd-lot orders (which most of these first time clients will give a salesman) it is possible at present at least to pay the expenses of the salesman's carfare and part of the advertising overhead by charging the regular stock exchange commission rate and executing the orders in the unlisted market. But the stock exchange could put a supercharger behind dealers in whole lots of all listed issues if they would give non-members a break. They can hardly expect any firm to push listed issues if all they are going to get is a "thank-you" from member firms. "Thank you's" are nice but you can't pay the grocer with them.

R. H. Scarlett Forms Own Inv. Company

(Special to THE FINANCIAL CHRONICLE)

TORONTO, Can. — R. Herbert Scarlett, member of the Toronto Stock Exchange, has formed R. H. Scarlett & Co. with offices at 24 King Street, West, to act as brokers in Canadian securities. Mr. Scarlett was formerly a partner in McFetrick-Scarlett & Co. which has been dissolved.

Derele Swails Joins Staff of Camp & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Derele Swails has become associated with Camp & Co., U. S. National Bank Building. Mr. Swails was formerly with J. R. Williston, Bruce & Co.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—David G. Shade has been added to the staff of Bache & Co., 1000 Baltimore Avenue.

Edwin D. Levinson

Edwin D. Levinson, member of the New York Stock Exchange, passed away at the age of 78 after a brief illness.

With Real Property Inv.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Ira Miles and Lawrence P. Swayne have joined the staff of Real Property Investments, Inc., 233 South Beverly Drive.

Akin-Lambert Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Roy E. Warnock has been added to the staff of Akin-Lambert Co., Inc., 639 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with First California Company.

With Calif. Investors

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Sol Leavitt is now connected with California Investors, 3924 Wilshire Boulevard.

With Inv. Diversified

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald D. McCombs has joined the staff of Investors Diversified Services, Inc., 3761 Wilshire Boulevard. He was formerly with Milton C. Powell Co.

Rejoins Revel Miller

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—William E. Lawson has rejoined Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Lawson has recently been with Walter C. Gorey & Co.

B. C. Morton Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Lucille R. Barill has joined the staff of B. C. Morton & Co., Penobscot Building.

Continued from page 4

Role of Federal Government In Major Economic Depressions

State of Michigan is the distinguished Chairman of this Committee. His Committee colleagues are among the outstanding Republicans and Democrats of the Senate and House of Representatives.

These two agencies—the Council of Economic Advisers and the Congressional Joint Economic Committee—are constantly alert to developments which have a bearing upon economic stability and growth.

Collection and Dissemination of Statistics

Another way in which the government takes an active, although perhaps not a fully-appreciated, role in the field of diagnosing economic conditions is in the collection and dissemination of economic statistics. We all know that today's businessmen, as well as Government policy-makers, must be active students of economic statistics, and shape their programs in the light of knowledge pieced together from current data on trends. The consequence of this study is the avoidance of unhealthy extremes and unwise, untimely actions on the part of all concerned.

The Joint Economic Committee publishes a booklet each month entitled: "Economic Indicators." It consists of 32 pages of the latest data on production, prices, purchasing power, money, credit and Federal finance. If we consider the sub-series, this publication presents up-to-the-minute knowledge on considerably more than 400 economic series. The subscription price, payable to the Superintendent of Documents, is $2.00.

Many of these series are based on data collected as by-products of performing governmental functions. The corporate reports and tax returns upon which accountants frequently work become, in generalized aggregates, a major source of materials upon which much of our knowledge of the economic situation is founded.

It is interesting to note that out of all of these series which we now take for granted, as available within a matter of days, very few were in any similar sense available two decades ago. Here we are today, for example, discussing, on the basis of economic facts, what ought to be done about a moderate business contraction which has been in progress only a few months. Important corrective policy steps — both private and public — have already been possible as a result of these economic data. We have not had to sit innocently by, eventually to be overwhelmed with unemployment and with cumulative liquidation of inventories and credit.

It is important to realize what progress we have made in this respect in the past generation. Let us consider several of the series contained in "Economic Indicators" which, as I have said, we now take for granted as accurate and currently available.

In 1929, just before the Great Depression, neither the Federal Government authorities nor businessmen had available to them the present series on national income and gross national product. We now have and continually use estimates issued regularly by quarter years.

The consumers price index, upon which we rely for much of our understanding of what is going on in the economy and which, here in the City of Detroit, is used as a "trigger figure" in wage contracts, was, in 1929, computed only twice a year and then only with a very substantial lag in the date of publication.

Likewise, information on total retail sales did not exist and figures on department store sales were not available until about 30 days after the close of a month. We now have a department store sales weekly series available within three or four days.

Statistics on consumer credit were not established until 1942. Even such a basic statistic as the total money supply, of which we now have indications weekly and substantially complete data within the month, was, in 1929, not available until after a three months' lag.

Developments in the labor force, employment, and unemployment statistics, which all of us watch closely, were for all practical purposes not available before the Great Depression. At the moment the precise situation respecting unemployment is unfortunately somewhat clouded as the Bureau of the Census moves to improve the statistics. This effort constantly to improve the quality of our information ought not to blind us to the fact that the figures relate to the situation as it stood, not months or years ago, but as it stood last month and even last week.

Sales, inventory, industrial production, and construction figures —while gathered by either the government or private agencies in the period before 1929—have been greatly improved in the last 25 years. Above all, they now give us information promptly instead of after a lapse of three to six months.

Stock market prices and the Dow-Jones average were one of the few currently and readily available indexes of economic activity in 1929. Small wonder the stock market dominated economic thinking in the late 1920's and thereby added to the cumulative pessimism after October, 1929.

Recently-developed surveys of business and consumer plans for the coming year are monumental contributions to policy-making and to economic stability and growth. I can only take time to mention the Commerce-SEC survey of business investment plans, and the Federal Reserve-Michigan Research Center survey of consumer intentions. We must also note the tremendous strides in Government budgeting—Federal, State and local — and the value to all policy-makers of the resulting information on Government fiscal plans for the period ahead.

We must hope that in making reductions in Government budgets, the scope and accuracy of the statistical series are not diminished or impaired. There are still significant gaps in our statistical knowledge yet to be filled. But I think all will agree that today we have better clinical tests —temperature readings, cardiograms, and the like—for the economy than at any time before. I won't go so far as to say that we have anything comparable to the "rabbit test," enabling economists to predict accurately economic turning-points, but our ability to time remedial actions—both private and public—for minimizing economic contraction is far better than it was when we were dependent exclusively on the "crystal ball," or looking at the patient's tongue.

Developing Government Programs

Passing beyond the role of the Federal Government in helping all of us diagnose the economic situation, we turn to the other area of government anti-depression activity. Using the medical analogy further, I shall discuss the government's role in preventative medicine directed against economic contraction, and the government's role in treatment of the economy once depression has set in.

Experience in the Great Depression taught us the desirability of developing government programs which automatically go into action to prevent or retard the cumulative deterioration in economic activity. These are now referred to as the built-in stabilizers. Today we have a considerable number of these built-in stabilizers, and I need mention only a few.

There is, for example, the Federal Insurance of bank deposits. The name of the late Senator Vandenberg is intimately associated with the introduction of this important stabilizer. Today Federal deposit insurance protection is extended to approximately 95% of the banks in the country and about 98% of all deposits in these banks. Assets in these insured banks are currently $211 billion. We will not witness again the staggering loss of this purchasing power and the cumulative liquidation of debt which drove the economy to such depths in the early 1930's.

The system of unemployment compensation, in which the State and Federal Government join, is recognized as desirable not only on the basis of individual welfare and fairness to the displaced worker, but is deliberately calculated to benefit the economy as a whole by avoiding in some measure the loss of purchasing power which results from unemployment.

The farm support program, similarly, is a built-in stabilizer, beneficial not only to the individual farmer but to the whole economy. Sales of farm machinery, automobiles, tractors, and almost all of the products manufactured in the cities suffer from serious declines in the income of our farm population.

The relatively heavy reliance upon progressive income taxes for Federal finance likewise provides automatic flexibility in the tax burden as business conditions and personal incomes vary. When an individual's income falls, his taxes fall proportionately more. Carry back and carry forward of loss provisions are stabilizing influences not only for the individual business but for the economy as a whole.

The securities registration act and the regulation of stock exchange practices are both parts of a program of preventative medicine making us less susceptible to the economic ills of previous years.

So much for the preventive measures, although others might be cited. We come to the question of what the Government can do in the fact of depression—that is, in the face of a diagnosis that conditions are already unhealthy and are worsening, and that the built-in stabilizers alone can't stem the downward tide.

The treatment which the Federal Government may prescribe for an ailing economy under such circumstances is, as we have indicated, not a guaranteed cure. Our best protection against depression will always be to have diagnosed and stopped the disease in its early stages, to have acted promptly during the selective phase of a decline, avoiding so far as possible a general decline. But even more important are the positive steps constantly to improve basic Government programs, thus providing a favorable climate for economic stability and growth.

Three Recognized Areas of Action

In dealing with a contraction, minor or major, the Federal Government has three recognized areas for action: monetary, public works, and fiscal.

Although an important instrument for stemming minor fluctuations, the hope that monetary measures alone might prove adequate for generating economic recovery during a major depression was dealt a severe blow by the experience of the 1930's. While credit can be made more freely available during a decline, there is no assurance that its availability at lowered interest rates and better terms will of itself encourage the desired expansion of investment.

But monetary measures are a necessary and useful part of Government policies even though they might not do the whole job. Reduced interest rates and more favorable terms will encourage businessmen to proceed with marginal investment programs, especially where the long-run demand is clear but where the immediate situation is uncertain. Also, the programs of secondary markets and mortgage guarantees are important stimuli to housing construction.

Another area for Federal activity in helping to curtail economic depression is public works. A growing population and a rising level of living bring untold requirements for new public facilities—highways, schools, hospitals and other municipal services involving capital expenditures. These needs for the rest of the decade probably total over $100 billion of dollars. Programs for meeting these requirements can be accelerated in times of rising unemployment.

The Joint Economic Committee recently recommended the appointment of a public works administrator, directly responsible to the President, to coordinate public works activities in the interests of economic stability.

At the same time the Committee warned that we should keep public works in proper perspective lest they be overrated as a ready tool alone capable of solving the problem of unemployment. While substantial Federal public works may be needed, the greatest needs are for public facilities traditionally provided by State and local governments. Unfortunately, there are limits and time-consuming obstacles to the rate at which local and State governments may incur debt and secure the necessary public approval of projects however meritorious. Since there are these limitations, it is wise to be prepared in advance with a "public works reservoir" of engineering and financial blueprints for specific projects.

It must also be recognized that Federal financial assistance — credit or grants-in-aid or both— would be needed if State and local government public works are to make a major contribution in combating a severe depression. This Federal assistance would seem justified because, as Clarence Elliott, the distinguished City Manager of Kalamazoo, told our Committee a month ago: "Depressions are a national phenomenon, with their causes and effects on a national or international scale and must be attacked or alleviated on a national scope."

Flexible tax and fiscal policy is the third major tool available to the Federal Government in dealing with economic setbacks. We have pointed out earlier that the built-in stabilizers, with their automatic budget impact, are significant tools for combating recession without special legislative action by the Government each time they come into use. Legislative changes from time to time, however, can make the tax program more effective as a countercyclical instrument.

A policy of balancing or attempting to balance the Federal budget annually despite major fluctuations in production and employment is neither sound nor feasible policy today. Timely expenditures for justifiable purposes, even though in excess of current revenues, can make a positive contribution to recovery during a period of contraction.

Readjusting the Tax Structure

There are, of course, a variety of ways in which the tax structure may be used to promote economic stabilization and growth. For example, we have seen accelerated depreciation employed temporarily to encourage the construction of defense facilities. Business investment may be encouraged similarly during periods of economic contraction. I recognize that this may run counter to some of the traditional views as to the private objectives of depreciation accounting. However, in times of deflation, given the alternatives of direct Government investment on the one hand, and the use of tax incentives to encourage private investment on the other, I believe most people will prefer the latter.

I think we may all agree with the statement in President Eisenhower's recent Economic Message, and reiterated by him last night on television, that the arsenal of weapons at the disposal of government for dealing with economic contraction is very formidable.

One might present a provocative list of specific measures. It seems most important, however, to recognize that no such list could possibly be complete or anticipate all of the devices which might be acceptable or which ingenuity might discover in the face of need. It is well to remember that, as in medicine, diagnosis, prevention and cure of economic fluctuations are an everchanging matter. Our economy apparently develops immunity to certain diseases just as humans do. Similarly the "wonder drug" cures lose their potency. No two depressions are exactly alike, and the measures taken to combat them do not have the same effect each time they are applied. We must constantly strive for new tools of diagnosis and treatment. More important than a catalog of specific measures is the fact that we are willing and determined, as the President said, last night, to use appropriate and newly conceived measures when, as, and if the need arises.

The Current Recession

No discussion of the role of the Federal Government in aiding to prevent depression would at this time be complete without a few further words on the current recession. President Eisenhower has recommended to the Congress a positive program to meet the long-run requirements for a growing and expanding economy. The President's program is designed in part to strengthen the built-in stabilizers to which we have referred. The President recommends, for example, broadened coverage under the old-age and under the unemployment insurance systems. His program includes a variety of proposals to bolster construction of housing and public works such as highways, hospitals, and the St. Lawrence Seaway. The pending tax revision bill, while seeking to eliminate the inequities as they apply to individual taxpayers, gives primary attention to increasing the incentives for private business investment with its job-creating possibilities. The $5 billion automatic tax reduction of Jan. 1 and the $1 billion excise cut effective April 1 are having a wholesome and stimulating effect on the economy.

All in all, I think we may take confidence from the program recognizing, as the President himself has indicated repeatedly, that the program will be stepped up to include special measures if the economic situation worsens. We can take confidence, too, in the knowledge that the Congress is alert to the need for flexible and prompt action if the economic situation fails to right itself under the stimulus of the present proposals. Witness Congressional in-

-itiative in reducing excises last week, and its current consideration of measures to reduce taxes for middle and low-income families further to stimulate consumer demand.

In conclusion, I want to emphasize that the problem facing the nation and the Congress for the next year or two years is that of making the transition from a position which may well have been above the long-term growth trend of the economy to a position on the long-term growth trend from which a sustained economic growth can take place.

For the longer run, studies by the Committee staff and others suggest that the economic expansion can be very large. The major sustaining forces which are seen ahead may be summarized as: (1) the additional goods and services to provide even present per capita living standards to about 15 million additional people between now and 1960; (2) the continued high levels of investment in plant and equipment to make this production possible; (3) the technological advances, bringing cost reduction and new products; and (4) the backlog of highways, schools, hospitals, and other public facilities which must be constructed if we are to maintain even the present level of public services.

A force which is much more difficult to measure, but of fundamental importance, is the characteristic determination of the average American citizen to set for himself a constantly improving standard of living and to work hard to achieve it.

Halsey, Stuart Group Offer Ohio Power Bds.

Halsey, Stuart & Co. Inc. and associates are offering today (April 15) $20,000,000 of Ohio Power Co. first mortgage bonds, 3⅛% series due 1984, at 102.461% and accrued interest, to yield 3.00%. Award of the issue was won by the group at competitive sale yesterday on a bid of 102.231%.

Of the total net proceeds from the sale of the bonds, the concurrent sale of 50,000 shares of preferred stock, and the issuance of 50,000 additional shares of common stock to its parent company, American Gas & Electric Co. for a cash consideration of $1,000,000, the Ohio Power Co. intends to apply $23,000,000 to the prepayment of bank notes, which were issued in connection with the construction program. The balance of the proceeds will be used to pay for the cost of extensions, additions and improvements to the company's properties.

The bonds will be subject to redemption at regular redemption prices ranging from 105½% to par, and at special redemption prices receding from 102½% to par, plus accrued interest in each case.

The Ohio Power Co. is engaged in the generation, purchase, transmission and distribution of electric energy and its sale to the public in extensive territory in Ohio, and in the supplying of electric energy at wholesale to other electric utility companies and municipalities. The company serves 538 communities in an area with an estimated population of 1,267,000.

For the year 1953, the company had total operating revenues of $76,733,200 and net income of $13,801,699. In the previous year, total operating revenues amounted to $70,493,211, and net income was $12,187,286.

With E. I. Shelley Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Stanley C. Miller is now affiliated with E. I. Shelley Company, Ernest & Cranmer Building.

Over There, Too

"To such simplicity of function (as that of the Gladestone-Goschen years) no modern Chancellor can hope to return. His ways are set for him. Much of the expenditure for which he has to provide is laid down, not by his contemporary departmental colleagues, but by the commitments of the past. Many of the imposts he either devises or continues, and their weight, are dictated not by his own conception of what such imposts should be, but by what fiscal and economic precedents say they must be. Some of the imposts he would fain remove are of such complication that their abrupt removal is not possible, even an impost such as purchase tax, which was designed and applied for a purpose which has since passed, but which continues in being as a handy raiser of revenue. Not only is he pinned to a continuance of such a tax, but he is held to its existing form, though purchase tax clapped on at the wholesale level has from the first shown itself to be one of the most foolish and pernicious creations of the bureaucratic mind, since it confuses for the taxpayer cost and tax, and cannot be adjusted or removed without severe embarrassment to the retailer, who, on a reimbursement basis, is its ultimate collector. Gone, too, is the once rigid division between what should be state expenditure and what municipal. Gone equally is the division between what was and what was not legitimate state expenditure, in the financing of agreed policy, as against the covering of trade losses on enterprises embarked upon by the state, but for which the state was never fitted. All these things the amateur budget framers of the popular press may lightly ignore. Not so the unhappy Chancellor."—"The Statist."

And so Mr. Humphrey might well lament!

Outlook for Long-Term Treasury Financing

Bankers Trust Company of New York in pamphlet, on "United States Government Securities and Interest Rates," holds Treasury is unlikely to force the market by pressing for too large an offering too soon.

According to the annual review of "United States Government Securities and Interest Rates" issued April 8 by the Bond Department of Bankers Trust Company of New York, though the investment market is more receptive to long-term government offerings than at any time in 1953, the Treasury is unlikely to force the market by pressing for too large an offering too soon.

Furthermore, the study states, an abundant supply of short-term government obligations appears essential to the proper functioning of the money market, according to the Bank. The fact that our economy continues to need a large volume of liquid assets is a consideration that makes advisable a temperate approach to the refunding program.

Forcing the market with long-term offerings would involve the risk of competing for funds that otherwise might venture into home building, construction or new business equipment, it is pointed out. Since total private and municipal investment at present is still running high, the Treasury's long-term borrowing and funding operations are likely to remain modest for some time ahead.

Large Requirements for Short-Term Debt

Among the requirements for short-term government securities, the Bank includes those of commercial banks for secondary reserves and for adjustment of money positions, and of nonfinancial corporations for reserves against taxes and other liabilities. In addition, the Federal Reserve banks prefer short-term securities, and other holders also require such obligations in varying degree. "While the total of all these requirements is not measurable with any degree of precision," the review states, "it is evident that a sharp reduction in the volume of short-term debt outstanding might well lead to artificially low short-term yields."

Goal for Refunding Program

The Treasury's recent practice of lengthening maturities by giving holders of maturing obligations the choice of short-term or medium-term obligations is commended by the Bank. "Such an operation involves little or no financing risk to the Treasury nor does it jeopardize economic activity, since it does not reduce the flow of funds into private investments channels."

The review points out that at the conclusion of the February, 1954 refinancing operation, in which holders of $11.2 billion of near-term maturities chose to exchange them for medium-term bonds, the average maturity of the marketable debt was about one month longer than at the end of 1952, prior to the start of the refunding program. "The Treasury thus had not only succeeded in offsetting the shortening effect of the passage of 13⅓ months, but had also achieved a modest extension of average maturity."

"If the Treasury's refunding operations succeed in offsetting the shortening of the debt caused by the passage of time, additional efforts to decrease the amount of short-term issues need not be aggressive," the Bank concludes.

Debt Management Policy Stressed

The review examines credit policy in 1953 and concludes that "by permitting credit to tighten in the boom and energetically easing credit thereafter, the Federal Reserve probably contributed to some extent to the wide swings in interest rates in both directions in the course of the year. However, the policies pursued by the credit authorities in recent months certainly appear adequate," according to the Bank, "considering the relatively mild character of the decline in economic activity. Easy credit, of itself, is not likely to halt this trend, but the steps taken by the credit authorities have helped assure that bank credit will be readily available to finance an upturn in business activity when the forces of expansion again assert themselves. Under present conditions, this is probably the major contribution that general credit policy can make toward the maintenance of economic activity in the aggregate.

"In the period ahead, with the Federal Reserve following a policy of credit ease and many investors tending to the belief that savings may accumulate more rapidly than the supply of new investments, a major factor in the bond market may be the Treasury's operations in managing the debt," according to the Bank.

Continued from page 5

What Investment Prospects In Booming Turkey?

payments by foreign exporters, with ordinary exchange transfer permits becoming more difficult from month to month. Now the exporters' dollars can only be secured by 3-way clearing deals; entailing a premium of 50% and more above the official exchange rate.

Certainly her general arrearages in remittances of foreign exchange to Western Europe, from the over-importing of consumer as well as capital goods (in sharp contrast to the German picture), causing anxiety in some quarters over Turkey's ability to secure adequate amounts of raw materials, will likewise occasion some worry over the sacrosanctity of her remittance obligations to the investor abroad.

However, on the other side of the picture, it must be realized that much of the present economic illness is merely in the nature of growing pains, or perhaps indigestion, in a period of long-delayed development of enormous natural resources. Furthermore, some convalescence in the economic area has already occurred, through the restriction of imports as manifested in progress in clearing up arrearages with France and Turkey through long-term credits.

Big Hotel Deal

In appraising the welfare of the foreign investor here, the actual experience by the Hilton Hotel people in the construction of the highly-publicized Istanbul-Hilton operation is to be cited. Exploring this American project here with its manager, Mr. Rudy Basler, a veteran with world-wide experience, reveals a generally satisfactory experience.

The deal, a typical Hilton operation abroad, comprised the money for the purchase of the property and construction being put up by the government's Pension Fund (akin to our Social Security), with a government guarantee of the eventual return on the capital. The land was acquired by condemnation. Hilton puts up the working capital for operation, including supplies at the beginning, which it gets back at the end of the "lease", under a 20-year arrangement. (It is not really a lease but rather profit-sharing with the amount of rent not fixed.) As in Puerto Rico, the government agency gets two-thirds of the profit, and Hilton one-third, with foreign exchange withdrawals specifically guaranteed.

The Hilton company has a completely free hand in operating policy and the setting of prices. It can bring in key personnel from abroad, and pay them in their own currency, including dollars. The contractor and his engineers are German, who likewise can take out their proceeds in the hard-currency German marks.

Mr. Basler, feels that his investor experience with the Turks has on the whole been generally satisfactory. The main fly in the ointment has consisted of red tape, with bureaucratic obstruction mainly concentrated in the securing of import licenses for the bringing in of necessary goods. But, as Mr. Basler puts it, "any foreign capital anywhere must adapt itself."

Guaranty Privileges

One might think that the availability of the U. S. Government's guaranty might provide the solution to the self-interested investor's quandary. Ever since 1948 the U. S. Government has had in operation a program under which it offers guarantees against certain of the non-business risks. It is now available for any country which concludes the necessary bilateral agreement with the United States. Guarantees may be issued against the risk of inability to convert local currency earnings into dollars, and the risk of loss from expropriation or nationalization.

But there has been a shunning of this privilege on the part of American exporters and investors and in these countries one hears practically nothing about the privilege.

* * *

In the absence of guarantees, and weighing the various conflicting factors, as well as competing opportunities in the light of his self-interest, the investor's hard-boiled net conclusion might well be to go in provided there is a possibility of recouping a big fat return; and in a hurry (at least before the next general election, four years off).

But it must primarily be realized that a sizable and successful influx of American investment depends on the willingness of investors to adant their operations, as have the Germans, to the requirements and methods of the country and its business structure.

Mutual Funds

By ROBERT R. RICH

Business Report

The Axe-Houghton weekly business index has declined moderately during the last three weeks. Steel ingot production has extended its decline. Miscellaneous and lumber loadings are slightly lower. Electric power production and automobile output are slightly higher.

The Axe-Houghton index of durable goods raw materials prices has advanced quite vigorously. Copper, lead, zinc, and aluminum scrap prices have advanced further during the last three weeks, and there has now been a slight upturn in steep scrap prices. Lead and zinc metal prices have advanced, and the London prices of these metals have increased somewhat more than the New York prices, thus lessening the danger of imports. Anaconda and Kennecott have reduced the output of their Chilean subsidiaries, although it had been reported that the Chilean government would not consent to any curtailment.

It seems probable, Axe states, that the rise in durable goods raw material prices has been caused to a considerable extent by an upturn in demand, although moderate curtailment in the domestic supply has also been a factor.

The Axe-Houghton index of semidurable goods raw material prices has also advanced. Cotton and hide prices have declined but wool and rubber prices have turned quite strong.

The upturn in wool prices has been accompanied by reports of an increased demand for woolen and worsted cloth for the fall garment trade. There is an unusual situation in cotton print cloths, where the prices of the finer weaves have advanced simultaneously with a decline in the coarser fabrics.

The total improvement in the demand for cotton goods has been insufficient to cause a rise in cotton prices, but the cotton manufacturing industry continues to be in a better position than synthetics.

Omission of the Class A preferred dividend by Robbins Mills, one of the most aggressive companies in the postwar promotion of synthetic fabrics, emphasizes the continued unsatisfactory condition of the industry. The cotton manufacturers, Axe comments, will undoubtedly be excused for not feeling sorry for the plight of the synthetics manufacturers after the beating cotton has taken from synthetics.

New orders received by manufacturers showed an upturn in February, according to the Department of Commerce; and the ratio of orders to inventories advanced.

Unfilled orders continued to decline, however, and inventories—manufacturers', wholesalers' and retailers'—remain high although they are slightly lower than five months ago, allowing for seasonal variation.

Some branches of retail trade show somewhat improved inventory situations, and this seems to apply especially to department stores. The ratio of department store sales to inventories, at any rate, has shown a rather substantial increase, largely because of inventory liquidation. In March of course department store sales and sales of consumers' durable goods generally were slowed down by the approaching April first reduction in excise taxes.

Retail sales of television sets seem to have picked up a little, and production has been held down, so that the inventory situation in that industry should be improving.

From 1949 television set production developed an interesting seasonal pattern of high production from September to March and sharp curtailment the remainder of the year. This pattern has been broken by the low production rates of the last winter, and if this means that the industry is trying to get away from the violent seasonal fluctuations of the previous three years the earnings of the manufacturers should benefit considerably.

Avco Manufacturing Company, with its low-priced Crosley set, appears to have assumed the leadership of the current pickup in retail sales, the extent of which has apparently surprised even the company itself since it has had to increase its production schedule to a rate higher than originally planned. It will be recalled that in the thirties, when purchasing power was comparatively low, Emerson Radio & Phonograph Corporation developed with great success the low-priced market for radio receiving sets despite the prevailing slack demand in the industry generally. Something similar seems to be happening now with respect to television sets, but with Avco out in front.

The remarkable vitality of the construction industry continues, making it, up to this point at least, an outstanding offset to the recession in several other cyclical industries. The latest contract award figures issued by Engineering News-Record suggest the continued absence of any marked tendencies toward a recession. Orders for lumber were higher than production throughout the first quarter.

New car registrations showed an upturn in February on a seasonally adjusted basis, and dealers' sales are reported to have shown further improvement in March. On the basis of the retail car sales published by "Ward's Automotive Reports," however, it seems unlikely that the March increase was anything more than a normal seasonal inrease.

The situation, Axe comments, in the automobile industry is as unorthodox in some respects as the situation in textiles. In March for example the output of Buicks, Cadillacs and Oldsmobiles was nearly record-breaking, while the production of Hudsons and Nashes was very low. General Motors and Ford have been accused of trying to destroy the independents, and unless the independents rally quickly it will look as if some of them are already on the ropes.

Railroad operating efficiency reached a new high record in 1953, but all the things the railroads have done to reach this goal, including dieselizing, automatic controlling, and abandoning unprofitable lines, have failed to offset a loss of traffic which has brought about a marked reduction in total operating revenue since April 1953, so that the net income of Class I railroads in January and February, seasonally adjusted, was the lowest since the summer of 1951, except for the period of the steel strike.

The railroads' share of intercity ton miles was down to 55% of the national total in 1952, and this was probably still further reduced in 1953.

The railroads are of course, Axe states, especially vulnerable to the type of business recession which prevails at present, as shown by the fact that in the last week of March loadings of coke were 53% of those of the corresponding 1953 week and loadings of ore were only 65%.

A definite business recovery on the other hand should have a correspondingly favorable effect on freight ton miles unless, as sometimes seems to happen, the railroads are unable to recover all the ground lost on the preceding decline.

ACCORDING to William Gage Brady, Jr., Chairman, net assets of Fundamental Investors, Inc. at March 31 amounted to $187,779,398 or $21.00 per share of outstanding stock, compared with $156,418,155 and $19.02 per share on Dec. 31, 1953. The total net assets as well as net assets per share are the highest in the company's history and give effect to the merger on March 31, 1954 with Investors Management Fund, which had assets of $14,750,000.

COMMONWEALTH Investment Co., reported that total net assets as of March 31, 1954 reached the all time high of $72,766,000. This is a gain of nearly six and a half million since Dec. 31 when net assets totalled $66,290,000. The company now has over 40,000 shareholders and more than 10 million outstanding shares.

Since 1932, when Commonwealth was founded, its management has always advocated broad investment diversification. Consistent with this policy, the Fund's investment portfolio contains over 350 individual securities as follows: 14.7% bonds, 18.0% preferred stocks, 62.3% common stocks, and 5.0% cash and receivables.

NET ASSETS of Diversified Investment Fund, Inc., according to Wm. Gage Brady, Jr., Chairman, amounted to $41,230,594 on April 1, or $7.14 per share of outstanding stock, compared with $33,041,997 and $6.52 per share on Dec. 31, 1953. Total net assets as well as net assets per share are the highest in the company's history and give effect to the absorption on March 31, 1954 of Diversified Common Stock Fund, which had assets of $5,176,797.

UNITED FUNDS, Inc. reported that sales of the four funds comprising the investment trust group, in the first three months of 1954 set a new high for any like quarter in history, surpassing the corresponding 1953 period by 16%.

Cameron K. Reed, President, said sales were $7,928,211, compared with $6,836,028. At the present rate, the year's volume will exceed the $26,880,351 figure for all of 1953 by a comfortable margin, he said.

Net assets, reflecting increased security values and an increased sales total, were the largest ever, reaching $130,349,007 at the close of the first quarter. This represented a gain of $30,054,534 over March 31, 1953, and a gain of $17,737,458 for the first quarter of this year.

The number of shares outstanding in the four trusts was 13,633,319, compared with 9,713,224 a year earlier.

Net assets of United Income Fund were $82,880,244, compared with $67,131,126. The fund had 6,233,006 shares outstanding, against 5,363,107 shares a year earlier. The net asset value was $13.30 a share, against $12.52.

Net assets of United Accumulative Fund were $26,536,553, equal to $6.71 a share on the outstanding 3,952,951 shares outstanding, compared with $15,660,628, or $6.23 a share a year earlier, adjusted to reflect a 100% stock distribution.

United Science Fund's total net assets were $16,674,319, equal to $6.48 a share on the outstanding 2,574,132 shares, against $14,606,400, or $5.98 a share on the 2,442,484 shares outstanding a year earlier.

United Continental Fund's net assets of $4,257,891 were equal to $4.88 a share on the outstanding 873,230 shares, against $2,896,319, or $4.46 a share on 649,352 shares outstanding March 31, 1952.

FIRST INVESTORS Corporation, specialists in the rapidly growing field of periodic purchase plans for the accumulation of shares of mutual funds, will hold its 24th anniversary sales conference in the Palm Terrace Suite of the Hotel Roosevelt on Friday, April 9 beginning at 3:00 p.m.

The featured speakers will be Jack Lacy, winner of the 1951 Selling Oscar of the National Sales Executives, and Charles Broderick, Chief Economist of Lehman Brothers and consultant to the Committee for Economic Development.

Mr. Broderick will address the representatives of First Investors Corporation on the topic of the economic outlook for the near future, and Mr. Lacy, who has trained more than 8,000 salesmen for nationally known firms, will discuss up-to-date techniques in the field of salesmanship, with particular attention to proper preparation as the key to successful selling.

KEYSTONE Custodian Funds, Inc. announced that the combined assets of the 10 Keystone Funds reached an all-time high of $238,336,500 at the close of the first quarter of 1954.

Sales of new shares in the first quarter of this year increased 70.2% over the same quarter of 1953, and produced the best first quarter net growth through sales in seven years. Liquidations were down 25.5% compared with the same period in 1953—and represented not only the lowest dollar volume of first quarter liquidations in 10 years, but also the lowest ratio of liquidations to net assets since 1942 (one of the lowest ratios in Keystone's entire history).

Total distributions of net investment income paid or declared payable since the Funds first began operations through the first quarter of 1954 amount to more than $102,000,000. In addition, Keystone shareholders have also received an aggregate of more than $54,000,000 of net realized gains.

LOOMIS-SAYLES Mutual Fund, Incorporated, now in its 25th anniversary year, announced that as of March 31 new highs had been reached with $34,913,713 of assets, 902,743 shares outstanding and 6,300 shareholders.

As of March 31 a year ago the Fund had $30,670,895 of assets, 810,391 shares outstanding, and 5,500 shareholders.

CONFIDENCE that consumption of goods will hold up, and no cumulative downward spiral develop, is expressed by Harold X. Schreder, Executive Vice-President of Group Securities, in his Spring report to the board of directors.

In his opinion, employment will rise moderately, and production will average about 124 on the Federal Reserve Board's index for the year.

He finds private liquid savings are unprecedently high, at $200 billion, and consumer income after reduced taxes at about the all-time peak. Moreover, Mr. Schreder reports that three surveys made for the Federal Reserve Board indicate that consumers and businessmen will (as well as can) continue to spend at a level just moderately below 1953's all-time high.

Mr. Schreder finds that the economy is developing a firm and stable base around current levels. In his opinion, business will turn up before there is any material down turn in stock prices.

EATON & HOWARD Balanced Fund's 88th quarterly report, issued to approximately 21,000 shareholders, shows assets of $111,904,743, an increase of $9,941,487 during the first quarter of 1954. Shares outstanding on March 31 totaled 3,343,076 compared with 3,253,985 and value per share was $33.47 compared with $31.33 at the year end.

Common stocks totaled 61.5% of the Fund on March 31, 14% was invested in preferred stocks, 17% in corporate bonds, and 7.5% was held in cash, U. S. Government bonds and short-term notes. The larger common stock holdings were oil (12.2%), power & light (11.1%), insurance (5.2%), banking (4.9%) and chemical (3.9%). The following table shows securities added to and eliminated from the Fund in the first quarter.

Additions

Indust. Accept. Corp., Ltd. 2½s, 11-3-54
No. Illinois Gas Co. 1st 3½s, 1979
Winn & Lovett Groc. Co. S. F. Deb. 3¼s, 1974
American Airlines, Inc. 3½% Pfd.
Mississippi Power & Light Co. 4.36% Pfd.
Armstrong Cork Co.
Fireman's Fund Insurance of San Francisco
Motorola, Inc.
So. Carolina Electric & Gas Co.
Spencer Chemical Co.

Eliminations

U. S. Treas. Ctf. of Indebt. 2½s, 3-22-54
U. S. Savings Bonds, "F," 1-1-54
Indust. Accept. Corp., Ltd. 3⅜s, 2-22-54
Armstrong Cork $4 Conv. Pfd.
May Dept. Stores $3.75 Pfd. '47 Series
National Tea Co. 4.20% Conv. Pfd.
Kansas Power & Light Co.
Marshall Field Co.

EATON & HOWARD Stock Fund's 90th quarterly report to 5,500 shareholders shows assets of $23,948,899, an increase of $3,088,029 during the first quarter of 1954. Shares outstanding totaled 890,191 compared with 863,451 and asset value per share was $26.90 compared with $24.16 at the year end.

Ninety-five per cent of the Fund was invested in stocks at the end of March; 5% was in short-term notes and cash. The larger stock holdings by industries were oil (12.7%), power and light (9.9%), insurance (9.8%), chemical (6.2%) and banking (6.2%).

PERSONAL PROGRESS

DIRECTORS of Investors Diversified Services, Inc., have elected John W. McCartin, former partner in the law firm of Chapman and Cutler, Chicago, as general counsel.

Mr. McCartin, graduate of Indiana University, practiced general law with the firm of Tinkham and Tinkham in his home city, Hammond, Indiana, except for time out for service in the United States Army.

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The Chemical Industry's Outstanding Progress

years there has been a decided trend toward selection of chemists and chemical engineers for top executive posts in the chemical industry.

We think of alchemy as a black art. However, strangely enough, the dream of the alchemist—that of the transmutation of the elements—has now become a reality. The alchemist sought to change the baser metals into more precious ones in order to gain fame and fortune. The modern chemist is transforming elements into other elements, even producing ones that do not exist in nature, in order to satisfy a justifiable yearning for still greater knowledge of the universe. In so doing the chemist has helped substantially to improve man's lot, to improve and prolong his health, to increase his wealth, and to add to his material happiness.

American Chemical Industry's Growth

But enough of the Dark Ages. Many of you, I suspect, think of our chemical industry as something quite new. Such is not the case. Our American chemical industry is as old as the colonies which eventually became the nucleus of our great nation as we know it today.

In 1608 the chemical industry was started in the New World at Jamestown, Virginia. A very modest beginning to be sure but one with great promise. The principal product was crudle alkali produced from wood ashes useful in the manufacture of soap. The venture shortly failed, largely because agriculture proved to be more lucrative.

In 1635 in a site near Boston, a John Winthrop, Jr., son of a leader of the Pilgrims and considered by many historians to be the father of the chemical industry in America, established the first chemical plant in the area we now define as New England. He certainly knew his economics for he financed the plant construction by selling stocks to friends and neighbors.

In succeeding years small manufacturing units, independently owned, sprang up first in Philadelphia, then in New York and in other coastal cities along the rock bound New England coast. The output of these factories made possible domestic manufacture of modest amounts of glass, leather, textiles, and many other essential items in an expanding economy.

Many of you will recall that the Mother Country did not look with favor on this development. This attitude by King George III and his advisers on this matter was perhaps one of the major contributing factors to the American Revolution.

I should tell you a little story that illustrates a number of peculiarities of the chemical industry. The first chemical plant in New York City was started by a group of bankers. Within a year a price war broke out between the Philadelphia and New York manufacturers of sulfuric acid. The New York bankers came quickly to the conclusion that the chemical industry was no place to invest money. They promptly sold out their holdings to the plant superintendent and with the money derived from the sale, started what is now known as the Chemical Bank and Trust Company of New York. Frankly I can't tell you whether this was a wise or very foolish move on their part. Whether it rates with the story of the sale of Manhattan Island by the Indians for $24 and a few trinkets is a question I cannot answer.

The modest beginnings of an American chemical industry that I have described briefly continued at an excellerated pace as our nation grew. Huge waves of immigrants arriving on our shores created a rapidly expanding population and an extraordinary demand for manufactured goods of all kinds. Basic chemicals were essential in the production of most of these commodities.

The Revolution, the War of 1812, the Mexican War, and the war between the states not only required gun powder, but other material. As you trace the history of these conflicts you find that each one provided further stimulus to the growth of the American chemical industry and in turn to the country's economy, once peace was restored.

In 1802 a brilliant young French Huguenot refugee, du Pont by name, established a black powder factory on the banks of the Brandywine River near Wilmington, Delaware. It was most fortunate that he and Thomas Jefferson saw eye to eye, for the output of this plant provided the explosives used in the War of 1812.

In 1823, an equally brilliant young Italian immigrant, Grasselli by name, established the first chemical plant west of the Alleghenys in the then small, struggling city of Cincinnati.

His plant, and others established soon thereafter were important factors in the victory of the North in the Civil War. The preponderance of manufacturing facilities available to the North tipped the scales in that conflict and indicated plainly that a strong chemical industry was a very essential factor in modern warfare.

Progress Since World War I

I do not wish to infer by anythink I may say that we did not have a chemical industry prior to the beginning of World War I. We had quite a sizable one but it was not a well balanced one or well integrated. Germany, in the last decade or so of the 19th century and the first decade of the 20th century, established a leadership in fundamental chemical research the effects of which had a profound effect on international politics and world-wide trade. As a result, the United States failed to develop an organic chemical industry of any appreciable size. We were dependent upon Germany for dyes, a great many drugs and medicines synthetically produced. We lacked in the United States a nitrogen fixation industry and sources of supply of potash. Nitrogen and potash constitute two of the three essential elements to plant growth. Furthermore vast quantities of nitrogen are essential to the manufacture of explosives. In 1914 our source of nitrogen was Chilean natural nitrate and a comparatively small cyanamid plant in Niagara Falls, Can. In contrast Germany through the development of the Haber process was entirely independent of Chilean nitrate. This brilliant German chemist perfected in 1913 a practical method of extracting nitrogen from the atmosphere.

The start of World War I sharply brought out our dependence on Germany for chemicals. Only the competency, boldness, initiative and imagination of a relatively small band of chemists and chemical engineers made possible the development of an organic chemical industry in this country during World War I and made possible decisive victory for the Allies.

Immediately following the cessation of hostilities the German chemical leaders made a desperate attempt to destroy the American infant organic chemical industry by dumping a broad list of chemicals in this country at ruinous prices—prices well below the cost of manufacture in Germany.

A Democratic President, Woodrow Wilson, and a Democratic Congress sensed this threat to national security and provided a tariff structure which gave adequate protection to the chemical industry. Without this protection the United States would have been ill prepared to play the rôle that it did as the Arsenal of Democracy in World War II.

I will not dwell on the individual triumphs of American chemistry—there are too many to mention at this time. Years ago my predecessor, the late Harrison E. Howe, appeared on lecture platforms around the country with what he called his black bag of tricks — samples of striking new chemical products. Long before his death, however, he abandoned this practice—there were just too many to carry around with him. Today it would take a trailer truck to move such props.

Outstanding Chemical Developments

At a meeting in Washington of chemical engineers, staged only a few weeks ago, Walter Williams, the Undersecretary of Commerce, and a chemical engineer by training, selected what he considered to be the "seven wonders" of chemistry and chemical engineering which have most persistently affected the economy and therefore the lives of Americans during the past 40 years. There were many who would possibly differ with Mr. Williams on his selections, but no one can quarrel with him that the ones he picked are outstanding milestones in chemical technology. The seven are:

(1) **The catalytic and thermal cracking of oil into lighter fractions.** This development, of course, had much to do with conserving our petroleum resources and certainly has helped to keep America "on wheels" and "in the air."

(2) **The Frasch Process.** A unique method of bringing sulfur to the surface from the deep high grade deposits of this metal element in the Gulf Coast area.

(3) **The Synthetic Ammonia Process.** This process, originally developed in Germany, has been developed further in this country.

(4) **Introduction of Antibiotics.** Need I dwell on what these developments have meant to the health and well-being of most of us in the past decade.

(5) **The Development of Plastics.** Today, you and I depend on so many types of plastics that we probably have long since forgotten that they essentially are chemicals.

(6) **The Creation of Man-made Fibers.** It is not too many years ago that we first became acquainted with rayon. Over the years we have had a major revolution in the textile field with the introduction of a bewildering number of new man-made fibers coming into the picture—many of them with unique characteristics that make them superior to natural fibers for many purposes.

(7) **The Release of Atomic Energy.** Within the past decade a whole new branch of science has been developed, one that promises great things for all of us provided nations have the common sense and the good judgment to employ the constructive, not the destructive forces contained within the nucleus of the atom. Within the past few weeks, we have come to learn that we are much closer to the economic development of nuclear power than anyone thought possible 10 years ago, even our most optimistic engineers.

There are many other fields that I could mention. Synthetic tires, for example. Today we are riding on tires that have vastly superior qualities than those made of natural rubber.

Things like artificial fibers, synthetic rubber, light alloys, such as aluminum and magnesium, sulfa drugs, etc., are identified by the lay public as products of the test tube, products of research. It is not quite so obvious to the businessman that just about every manufactured product you can think of is dependent in one way or another upon the availability of many industrial chemicals. When you step into your shiny 1954 automobile it doesn't usually occur to you that without a well-rounded chemical industry, that automobile could not have been produced. This is a role of the chemical industry but little understood by the lay public. The socalled miracle chemical products you readily recognize are only a part of the total chemical production of this country. Most of it you never see in any recognizable form.

Our Debt to Chemists

The American economy owes much to the fertile brains of thousands of chemists. Since 1925 the chemical industry has grown at an average rate of about 10% a year compared to 3% for all industry. Considerable part of that steady 3% gain has been brought about by the ever increasing use of chemistry and chemical engineering principles not only in the chemical industry itself, but in industry generally.

The late John Teeple, one of our early chemist-economists, once stated "there is nothing certain about the chemical industry but change." It was for this very reason that bankers and investors shied away from the chemical industry for years as they would the plague. Today, however, chemical stocks are the darlings of investment bankers. There is just one reason why this has happened. The chemical industry has demonstrated that intelligently directed research pays off handsomely. So much so that other industries are following the pattern.

Chemical products and processes are typically short lived because rapid technological changes effect rapid changes in the picture of who uses what, when, and where —and how it is best made. A change in one chemical product because of a new laboratory development may make another obsolete. No wonder the old fashioned banker shuddered at chemical stocks and suggested railroad bonds to widows. But things are different today—in Kansas City and elsewhere.

Large capital investment, although often necessary, does not insure against short life for a process. In the fast moving chemical industry, the rate of obsolescence is frequently of an order of magnitude much greater than in other industries. But does this discourage the investor today? Certainly not.

Much of the success of the chemical industry is based on the philosophy that if you reduce price, you increase consumption, thereby reducing manufacturing costs. By making these products available to the consumer at ever-declining prices, volume is built up as in no other industry. Well, perhaps the automobile industry and a few others.

A number of significant new chemical developments are being reported on at this meeting of the Society, most of them of nation-wide significance. I prefer in the few moments left to me, to dwell on some facts and figures of spe-

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The Chemical Industry's Outstanding Progress

cial interest to the businessmen of this particular area.

Chemicalization of Agriculture

Agriculture, of course, is a number one industry of the Midwest. There really exists very close relationship between agriculture and the chemical industry which indicates a desirability of a more direct tie-in between the two. However, this close relationship has not always been as apparent as it is today. Agriculture furnishes many raw materials to the chemical and chemical process industries. In turn, many chemicals are essential to the production of food, feed, and fiber.

In this era of the "chemicalization of agriculture" the farmer has become a huge consumer of chemicals. This is particularly true now of the Midwest farmer whereas he, not too many years ago, employed no fertilizer whatsoever or only very minimum amounts of plant nutrients. Today our total population is in the neighborhood of 160 million souls. By 1975 it is estimated that agriculture will be called upon to feed at least 210 million people and a large part must come from the nation's bread basket. While we may be plagued with surpluses at the moment, we face in the not too distant future a difficult task of providing better nutritional values for nearly 50 million more people than we are feeding now. This challenge can only be met by utilizing more and more chemical knowledge.

One of the most significant symposia held here in Kansas City last week by the chemists and chemical engineers dealt with the resources for the chemical industry in the West North Central States. One of the speakers, a man from your Midwest Research Institute, which I would like to say has been in the forefront of many new developments, estimated that the chemical production in the West North Central States is some $250 million short of meeting the area's annual demand. Certainly as the country's population increases so will the need for more agricultural products and manufactured goods.

Although the states of North and South Dakota, Minnesota, Nebraska, Iowa, Kansas, and Missouri contain almost 10% of the United States population, only 4.7% of the capital investments for new chemical plants have gone to this region. Dr. Wessel of Midwest Research Institute estimated that production of inorganic chemicals in the West North Central States falls short of demand by about $34 million while organic chemicals are undersupplied by $4 million and synthetic rubber by $10 million. He went on to point out that some $13 million of synthetic fibers are imported into your area, some $90 million of drugs and medicines, and some $20 million of soap products. Despite the growth in fertilizer production in the Midwest, some $20 million worth is imported from other areas. It won't be long, however, before your area probably will be exporting rather than importing fertilizer materials from other parts of the country.

Truly these figures present a tremendous challenge to the chemical industry and particularly to those companies with headquarters in the West North Central States area. You have important natural resources, including iron ore, manganese, zinc, copper, lime, fire clay, bentonite, common salt, and significant amounts of coal, petroleum, and natural gas. Obviously, you are close to large consuming areas of consumer goods.

I have painted, I believe, quite a rosy picture for you concerning the future of the chemical industry of this country. I have touched briefly on the special opportunities that exist in this particular area of the United States. I would be less than objective, however, if I did not point out to an audience as important and influential as this one, that we face some real uncertainties and that unless we, and when I say we, I mean the nation at large, take some very realistic steps on the scientific manpower problem we are likely to see some of our future growth very badly stymied.

A Likely Shortage of Chemists

It must be obvious to this audience that the wonders of chemistry have only been brought about by brilliant chemists and chemical engineers. Today, and in the foreseeable future, we face a serious shortage of such creative minds.

A few minutes ago I mentioned that the overall industrial growth of the country has averaged about 3% a year during the past 25 years. Highly competent economists tell me that by 1960 this figure of 3%, instead of expanding is very likely to shrink—due largely to the fact that we will not have sufficient creative scientific minds available for fundamental and industrial research.

This shortage is the result of many contributing factors. One, of course, is the low birth rate of the 30's. Another is the fact that we are not training sufficient science teachers for our secondary schools. Salaries paid these men and women are so unattractive that only very, very few competent individuals consider a career as a teacher of science in our high schools. There are many, of course, who, because of their devotion, are willing to make great financial sacrifice, but we cannot expect to attract adequate numbers of competent teachers unless we correct a very obvious unsatisfactory condition.

I appeal particularly to the business leaders of this city and its environs to find ways and means of making the profession of science teaching, indeed all teaching, in secondary schools of your community more attractive financially. The vast majority of chemists, scientists, and engineers obtain their inspiration for science and technology in their last year or two of high school. This is the critical period when most youngsters decide on future careers.

There is another unfortunate reason why we have a shortage of highly trained scientists and engineers. You have all heard, I am sure, of Selective Service. Unfortunatety the administration of Selective Service frequently fails to take into consideration what the word *selective* really means. If we are to thwart the challenge of Soviet imperialism we must remain superior to Russia in science and technology. Russia currently is turning out about twice as many engineering graduates as we are. How long can we maintain our technical superiority under this handicap? Even the scientists and technologists we do train are funneled off in large numbers into military service. Not so in Russia.

Please understand, I am not pleading for deferments of chemists and chemical engineers and scientists and technologists generally, simply because these men have had specialized training. I do believe, however, that we court disaster if we fail to utilize people with specialized skills where they can contribute most to our industrial development and in research and production. This is just good common sense.

I believe that enlightened public opinion in this country today condemns much of the philosophy that governs many of the stupid policies followed by Selective Service officials aided and abetted by some military leaders who are still living in the "spit and polish" days of the last century. Let us stop kidding the public. Selective Service at the local board level is civilian but it is guided by a Major General surrounded in Washington by a flock of Colonels. This hardly constitutes civilian direction and administration.

If the United States is suddenly called upon to mobilize for a World War III, there is a grave possibility that the call-up of reservists will create chaotic conditions to the point where our ability to produce the sinews of war and the minimum necessities for our civilian population will be greatly jeopardized.

It is hoped that there will be shortly before Congress a bill which will provide for an intelligent call-up for reservists that would eliminate the possible recurrence of the terrible mistakes made at the beginning of the Korean war. I hope that you men, as business leaders and as leaders of thought in your community, will endeavor to impress your Representatives and Senators with the desirability of providing the type of legislation on reservists that will not lead to complete chaos in the event of another Korea or a full-scale World War III.

Please remember that within the next few years our reservist program will have reached the stage where the military will have complete control of just about every able bodied man between the ages of 18 or 19 and 35. They will fight to retain this absolute control and will succeed unless you and I demand that this responsibility be shared with civilian administrators and not National Guard officers disguised in civilian garb.

I saw a prostrated Germany in 1945. There may be some satisfaction in being second in a foot race or a sail boat race. This certainly is not true when we think of the grim results of modern warfare. We either overcome some understandable, but highly old fashioned ideas and prejudices on this manpower problem or surely we shall go down to ignominious defeat once Russia has achieved technological superiority.

In conclusion may I express on behalf of all my colleagues of the chemical profession, our sincere appreciation and thanks for the warm hospitality we have received in your midst during the past ten days. I hope that but a few years will elapse before we again return. I am sure that if we follow our usual ten-year cycle and return to Kansas City in 1964 that this great city will have taken full advantage of the opportunities the chemical industry offers for further fantastic growth. You have in your midst men of great vision—men like Kenneth Spencer for example, who sense the great potentialities of a diversified chemical industry. It is yours almost for the asking.

Former President Truman in his address of welcome to the American Chemical Society expressed regret that he is 70 years old, not 20, for he foresees an era in the last half of the 20th century now referred to frequently as the "Chemical Century" when mankind can reach a state of material well-being that staggers the imagination to try to visualize. Science including chemistry constitutes the "Endless Frontier"—the horizons of which no one can see today.

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Factors in Determination Of the Business Level

in equilibrium. Shortly thereafter, the Korean conflict began and another turn in the inflation screw took place with the customary results of increased demand, higher prices and eventually larger output.

Difficult as it is to believe, within two years after the outbreak of the Korean hostilities this country was not only carrying on that war but was rearming on a huge scale, giving aid to the nations of Western Europe and, at the same time, producing as many peacetime goods for ourselves as it did before the war began. If we want to pay the price in inflation and higher prices with ever mounting taxation, so great are our natural resources that our productive output can be increased enormously.

A new Administration came in power in Washington at the beginning of 1953 with a mandate from the people to stop inflation. It took a new look at our armament program and decided that expenditures for this purpose could be safely reduced. It also wisely decided that there were some other expenditures which could profitably be curtailed.

Supply Has Caught Up With Demand

The decline in spending for armaments which began in early summer of last year, coupled with the tremendous increase in plant capacity which had taken place over the past decade, led to the supply of most commodities catching up with demand at the then current prices, with the result that by July the forces making for inflation were at least temporarily over. For the balance of the year, production in most lines continued ahead of sales, with the result that inventories accumulated rather substantially and shortly before the year-end were at an all-time high. Since then they have declined about $2 billion, but at the end of February, the last date for which we have reliable figures, they still remained over $2½ billion higher than they were in February, 1953.

It is common knowledge that large numbers of automobile distributors were still loaded up at the year-end with 1953 cars when the new 1954 models were announced. This resulted in more or less demoralizing the automobile market for used cars, from which it has not completely recovered. The situation in regard to television sets was much the same. Last year's output was approximately 7.1 million sets, which was about 700,000 in excess of the number that actually moved into the hands of the public. This resulted in inventories at the close of the year of nearly 2 million sets, almost twice that which existed a year earlier.

News in regard to both inventories and sales was not particularly good during February. The Department of Commerce reports that inventories increased during the month by $193 million, while sales decreased by $1.6 billion under those for February of 1953. These unadjusted figures must not be taken as absolutely correct nor should too many conclusions be drawn from them. The weather has a lot to do with sales. One can be reasonably certain, however, that businessmen on the whole have a bigger pile of goods on their shelves today in relation to sales than they had a year earlier. While a good deal of correction has been made in working off excess inventories, there still remains much to be done.

The Question of Excessive Inventories

No one, of course, knows for certain just what constitutes excess inventories. Whether or not an inventory of any product is too large depends upon the rapidity with which that product is being sold. The reason inventories have not been lowered more, in spite of some reduction in output, is that sales have begun to drop off. Lower sales, of course, mean that fewer goods move off the shelf and, even if businessmen place smaller orders than in the past, the resulting net reductions in stocks are less than if sales kept at high levels.

In periods of inflation and rising prices, inventories always tend to rise. This accumulation takes place not only in manufacturing plants and wholesale warehouses, but also on the retailers' shelves as well as in the pantries and homes of housewives. The reason for this is obvious. When prices are rising, one always gains on their inventories. However, when prices become stabilized or when there is some fear that they may even decline, orders for future delivery all along the line are more carefully scrutinized. This is no doubt the situation which exists today. It would be a foolhardy merchant indeed who, under present circumstances, kept more goods on his shelves or who ordered more for future delivery than he actually needed for the efficient conduct of his business.

With our present efficient and rapid means of transporting goods from the factories to the retailers and with the ease with which factories can now fill most orders, it is difficult to form an intelligent estimate as to what constitutes normal inventories. This much we do know, however, that inventories are still larger than they were a year ago, that there has been considerable reduction in them since they reached their peak in October of last year, that in some lines they are more excessive than in others, and that probably there still remains on the average some further reduction to take place before a normal level is reached. So long as this reduction takes place, one cannot reasonably expect a material revival in business. It is a well-known fact that fluctuations in inventories are one of the disturbing factors in the general level of business.

But the total volume of our sales is so enormous that one can easily over-estimate the importance of excess inventories. Total sales in February, for instance, were in excess of $43 billion, thus all inventories were less than two months' sales at that time. If the volume of sales should increase in the days ahead, the excess inventory problem will shortly disappear. On the other hand, should sales continue to decline, the inventory problem will continue to be with us for some further time and might become quite serious.

Will Sales Continue to Decline

Let us now turn our attention to whether or not there is any economic reason why sales in the days ahead should materially decline. Has there been any diminution in the liquid assets held by the public? In other words, do the people have the money to make purchases if they desire so to do and are they likely to want to do so? Such data as we have on this subject seems to indicate that there has been no diminution in the liquid assets of our people during the past year.

The Board of Governors of the Federal Reserve System in co-operation with the Survey Research Center of the University of Michigan has for the last several years made a survey of 66 areas, including the 12 largest cities of the country, for the purpose of finding out information on the financial position of consumers and to secure from them some indication of their plans for the purchase of durable goods and houses. The survey this year showed that while increases in income were not as frequent last year as they were in 1952, nevertheless "liquid asset holdings increased and were again shown to be widely distributed." About two-fifths of the non-farm consumers reported receiving more income last year, while only about one-fourth reported receiving less. It is interesting to note that a larger proportion of consumers expressed themselves as "feeling better off" than they had in previous surveys.

Of striking importance was the finding that a larger proportion of consumers reported owning more than $500 of liquid assets this year than was so shown in any survey previously taken. This obviously indicates that there is an ability to buy if consumers believe that now is the time to do so.

When asked if this was a good time to buy durable goods, the survey showed no over-all change in the proportion of consumers who thought it was a good or a bad time to make such purchases. But the reasons expressed for their views changed considerably. The most frequent reason given for not buying at this time was "prices are too high" or, to put it another way, "prices will be lower some time in the not-too-distant future." There was some decline in the number of consumers who planned to buy new automobiles from the figure given in 1953 but, on the other hand, the number was larger than that given in 1952. Similar intentions were expressed in regard to the purchase of houses and household appliances. The number, while somewhat smaller than for last year, was still larger than for previous years.

The Sufficiency and Cost of Credit

As most durable goods and nearly all houses are partially purchased on credit, it is important when considering the outlook for sales to give attention to the sufficiency and cost of credit. Here the situation could hardly be more favorable to the encouragement of sales. In contrast to a year ago when money was tight and interest rates rising, today just the opposite condition exists. Since July of last year, interest rates have lost most of the gains which they registered during the previous two years. Today real estate mortgages which only a year ago were selling at discounts of four or five points are now being traded at par and I am afraid it will not be long before they command a premium. Likewise, corporate bonds which were floated at that time to yield between 3½ and 4% are already being refinanced on a 3% basis. One was recently offered to yield only 2.91%.

Our supervising banking authorities completely reversed their credit policy some time about mid-summer of last year. During the last eight months of 1953, through open market purchases and through a reduction in reserve requirements on demand deposits, the Reserve banks supplied additional reserve funds in the amount of $3.9 billion. While a year ago they were cautioning banks to be conservative in the granting of credit, recently one of them in a public speech at Chicago urged banks to be more liberal in the granting of credit and, of all places, consumer credit at that.

I am not criticizing this change. Obviously a credit policy suitable for a period of inflation is not one to be followed in a time of business decline. I cannot help but wonder, however, how much help making low interest rates even lower is to a revival of business. And it should not be forgotten that, judged by the experience of the past, all interest rates which we have had during the past 15 years must be considered low, even those which existed in 1953.

I can find no evidence either in the present or in the past which leads me to believe that anyone borrows money just because it is cheap. Money is borrowed by and large when those who borrow it think they can put it to some use which will give them a little something over and above what it costs them to borrow it. Whenever that situation does not exist, money will not be borrowed, at least for investment purposes, whatever the interest rate may be. While I do not want to seem to be arguing for higher interest rates at this time, I cannot help but believe that it would be a serious mistake to push them even lower either by reducing the required reserves of member banks or putting more additional Federal Reserve funds in the market.

Sales can be encouraged not only through increasing demand, but also by decreasing prices. In fact, there has been plenty of evidence recently that when the public thought bargains were being offered, sales in good volume immediately responded. Lately there has been a good deal of discussion about amending our tax structure so as to aid business revival. Unfortunately all too much of the discussion has been aimed toward reducing taxes so as to give the taxpayer more money to spend. What seems to me quite as important at this time is to consider what effect the changes in our tax structure might possibly have upon costs and, therefore, prices.

The Question of Taxes

If the present economic situation is severe enough to justify a material increase in the Federal deficit, then the reduction in the excise taxes which was recently made was the right sort of action to take. I think, however, the situation calls for the complete elimination of most of these taxes before any consideration should be given to the reduction of other types of taxes. A reduction in excise taxes almost immediately leads to reduction in the selling price of the products on which they are levied and consequently stimulates sales.

While no doubt something could be said for the dividend exemption feature of the present tax bill as passed by the House, if it could be shown that business expansion was being hampered by a lack of equity capital, I cannot help but think this proposal is not particularly suited to the present economic situation. Wholly apart from the cry of double taxation, dividend receivers have not fared too badly during the past decade. Looking over my own small portfolio of investments the other day, I was surprised to find that most of my stocks were paying twice the dividends which they paid before and during the war and, without exception, all of them were selling at higher prices, many of them in fact having more than doubled in price. Then I looked at the bonds which I purchased to help finance the war. I still own them. Somehow or other when I thought how those bonds had lost one-half their purchasing power and how they were only giving me a yield of a little less than 3% and how that return was to be eventually taxed, I could not help but feel more sorry for myself in the role of bondholder than in that of shareholder.

To be perfectly fair, let me say that I realize full well that the purpose back of this partial dividend tax exemption is not to give relief to certain individuals, but rather it was devised because of the belief that it would be good for the country to encourage more equity financing of business and less debt financing.

In normal times, I share this belief. Today, however, with our corporate tax rate so high as 52%, I submit that it would be better for everyone concerned—the corporations, their owners and those who purchase their products—to have this tax reduced rather than to give a tax credit to those who receive dividends from the corporations. Corporate taxes after all are part of costs, not much different in degree to other costs of production. Reduction therefore in corporate taxes makes possible a reduction in prices, something which is very much needed at this time when we want to encourage sales.

The Consumers' Attitude Paramount

The state of mind of the consumer may well be the factor which will determine the extent of the business decline. Despite the recent increase in unemployment, personal incomes after taxes have fallen less than 2%. Retail sales are lower in relation to the income which the consumers have available for spending than any time in the recent past. They are spending even less of their incomes today than they did in the 1949 recession. There is conclusive evidence in the accumulation of savings that the consumer is keeping a tight grip on his pocketbook. Of course, it is important that every company put on a vigorous sales campaign at this time and to make this campaign a success, every effort should be made to reduce costs and lower prices. It is still true that there is no better way to increase sales than to reduce prices.

No doubt some of you have been wondering why I have thus far omitted mentioning possible actions the government might take to revive business. Other than by reducing taxes, which I have already mentioned, I do not think the present situation calls for any direct government intervention nor do I think it calls for increased government expenditures—quite the contrary.

The reductions in taxes which have already been made plus those which are contemplated in the President's program will reduce Federal taxes by an amount estimated at $7.5 billion. When it is further borne in mind that the government by the end of this fiscal year will probably have spent in excess of $3 billion more than it takes in in taxes and that it is altogether likely to run a deficit of twice this amount next year, it would appear that it is doing all that should be expected of it in the way of stimulating business.

Mention was made earlier that the chief characteristic of the last decade and a half was inflation. An inflationary movement of such duration cannot be brought to a halt without some disorganization to business. But it must be stopped if the purchasing power of our money is to be preserved. We already have a 50 cent dollar. Few people want a cheaper one.

It is also inevitable as government expenditures decline and change their complexion that certain localities will have some unemployment. But the recuperative powers of the country are so great and its basic economic situation so sound that there is little reason for thinking that over a reasonable period of time the necessary adjustments for an upward revival in business will not be made.

Already the two principal industries, construction and the manufacture of automobiles, upon which the prosperity of this country mainly depends, are showing marked improvement. The F. W. Dodge Company reports that new construction contract awards in March were the highest on record for that month. Total expenditures for new building in March reached $2.5 billion. This was likewise more than for any March in our history. It is interesting to note that private spending was responsible for most of this as it was up 2% over March 1953, while public spending was slightly down.

The March output of passenger automobiles was 524,000, the largest for any month since last October. It is estimated that approximately 500,000 of these were sold during the month. This experience was more cheerful than expected, with the result that the industry has now made plans for increasing its output for the second quarter of the year by about 7%. Indications still favor a relatively good year for automobiles.

No one can ever be certain what the future holds. Today there are favorable as well as unfavorable factors in the business situation. If the stock market can be relied upon as a business forecaster, it definitely is saying that the favorable factors outweigh the unfavorable ones. On the other hand, a good many foreign commentators who are apparently always expecting the worst to happen in this country—if they do not secretly hope for it—have been predicting that by fall we would be in a sad mess. Likewise, politicians anxious to get back in power are making statements that would lead one to think that the present situation is much worse than the facts support.

A Basis for Recovery

Personally, I am convinced that if reasonable restraint is shown on the part of labor in the matter of wage demands and if management does everything possible to produce and distribute goods as cheaply as possible so that the consumer will get somewhat more for his dollar, it will not be long before the volume of business will again be on the upturn.

Time does not permit me to discuss the long-term economic forces that govern the outlook for business in the distant future. It is sufficient for the purpose at hand to state that they are all making for further growth and progress on a scale seldom seen in the past. In view of this, is it reasonable to expect that the temporary short ones, even if somewhat unsatisfactory, can long hinder this growth from taking place? My own opinion is that the advice not to sell this country short is just as good today as it ever was in the past.

Scott Nominated by N. Y. Stock Exchange

Harold W. Scott, a partner in the Stock Exchange and investment banking firm of Dean Witter & Co., has been nominated to serve as Chairman of the Board of Governors of the New York Stock Exchange.

Harold W. Scott

Mr. Scott has been a Governor of the Exchange since 1949. He started his career in the brokerage business in 1925 after attending Princeton University. He joined the Air Corps at the start of World War II as a Captain and left in 1945 as a Lt. Colonel.

Richard M. Crooks, the present Chairman, will complete his third one-year term in that office on May 17. In January this year he made known his desire not to be considered for re-nomination. Mr. Crooks is a partner in the Stock Exchange firm of Thomson & McKinnon.

Mr. Scott rendered distinguished service to the Stock Exchange and the financial community as Chairman of the Advisory Committee on Public Relations during the period between the retirement as President of Emil Schram in May, 1950, and the appointment as President of Keith Funston in September, 1951. Mr. Scott's Committee was charged with the responsibility of increasing public confidence in the usefulness and integrity of the Exchange and of fostering a realistic understanding by the public of the risks and advantages of stock ownership. His Committee was largely credited with having initiated the expanded and intensive operations of the Stock Exchange in the public relations field today.

The Nominating Committee, headed by Charles K. Dickson, renominated one governor — Henry U. Harris, of Harris, Upham & Co.—and nominated the following eight new Governors for three-years terms:

Jacob Bleibtreu, Abraham & Co.; Elmer M. Bloch, Cahill & Bloch; Robert P. Boylan; Roscoe C. Ingalls, Ingalls & Snyder; Maynard C. Ivison, Abbott, Proctor & Paine; Robert F. Mulvany, Irving Lundborg & Co. (San Francisco); Joseph M. Scribner, Singer, Deane & Scribner (Pittsburgh), and John O. Stubbs, F. S. Moseley & Co. (Boston).

The slate of the new Governors is distinguished in a number of respects. It includes Robert P. Boylan who was Chairman of the Board from 1947 to 1951, when he resigned as a Governor, and two former Presidents of the Association of Stock Exchange Firms. Mr. Ingalls headed the Association from 1952 to 1953 and Mr. Scribner from 1950 to 1951. Another nominee, Maynard C. Ivison, is a former Vice-President of the Association.

Total membership of the Board is 33.

Renominated to be Trustees of the Gratuity Fund, which pays death benefits to families of deceased members of the Exchange were: John Rutherfurd of John Rutherfurd & Co; and John K. Starkweather, Starkweather & Co.

The 1954 Nominating Committee also proposed a new Nominating Committee for 1955:

Stephen A. Koshland, Carl M. Loeb, Rhoades & Co.; Joseph A. Martin, Jr., Gaines & Co.; Richard H. Moeller, Schirmer, Atherton & Co.; Clarence Southwood, H. N. Whitney, Goadby & Co.; John J. Trask, Francis I. duPont & Co.; Samuel W. West, Beauchamp & West; H. Lawrence Bogert, Jr., Eastman, Dillon & Co.; Harold H. Cook, Spencer Trask & Co., and Ralph Hornblower, Hornblower & Weeks.

Elections will be held Monday, May 10.

Paine Webber Adds

(Special to The Financial Chronicle)

DETROIT, Mich.—Peter S. Cordan has become affiliated with Paine, Webber, Jackson & Curtis, Penobscot Building.

Now With McCarley Co.

(Special to The Financial Chronicle)

ASHEVILLE, N. C. — Chester Brown, Sr. has become affiliated with McCarley & Co., Inc., Jackson Building.

Continued from page 5

The State of Trade and Industry

United States Departments of Labor and Commerce reported that March quarter expenditures ran at an annual rate of $36,100,000,000. This compared with spending of $34,000,000,000 forecast for all 1954 by the two agencies last November.

In the month of March alone, building outlays amounted to $2,500,000,000. This total was unchanged from March, 1953, but represented a seasonal increase of nearly 10% over February. Most of the gain over the preceding month, the departments said, "reflected expansion in private housing and public utility construction, plus gains in highway work."

New stock corporations listed during the short month of February numbered 8,533 or 10.6% below January's 9,543, reports Dun & Bradstreet, Inc. This decline represented the smallest January-February drop since 1946, when this series was started. The February count of new company formations at 8,533, was 7.4% more than the 7,943 for the corresponding 1953 month and marked the higest February total since 1947.

The first two months of 1954 witnessed a total of 18,076 new business incorporations, the highest for any similar period since 1948, it states. The current total compares with 17,411 last year, representing a gain of 3.8% and with 15,495 for the corresponding 1952 period, a rise of 16.7%.

Steel Output Scheduled to Show Further Mild Contraction

Steel ingot production last week lost the 1-point gain it achieved in the preceding week and slipped back to 68% of capacity, says "Steel," the weekly magazine of metalworking.

There's a diversity of opinion, due to varying conditions across the country. Some people think it's bound to sag some more, while others think there will be some pickup, states this trade weekly.

This diversity is reflected in steel ingot production rates in the various districts of the nation. In eight of the country's 13 districts, rates were above the national average the past week.

In the Chicago area at least two steel mills are rebuilding inventories of semi-finished steel. Both found their planned reduction was carried too far. Despite the buildup there is the possibility that ingot output in that area in April will fall below that of March, this trade magazine reports.

The lowered demand for steel continues to sharpen competition for business, and scattered price cuts are resulting. In the East, one producer lowered hot-rolled and cold-rolled carbon steel sheets $1.50 a net ton. As a result, "Steel's" price composite on finished steel is $113.70 a net ton, down three cents. Other changes in domestic prices include the abandonment of a stress-relieving price extra of 1.25 cents a pound on five grades of the chromium-type stainless steel billets and bars.

Pressure on prices extended to imported steel with prices on several leading grades of steel from the western European countries being down substantially, "Steel" notes.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 67.3% of capacity for the week beginning April 12, 1954, equivalent to 1,604,000 tons of ingots and steel for castings, as against 1,622,000 tons and 68.0% (actual) a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 67.6% and production 1,613,000 tons. A year ago the actual weekly production was placed at 2,228,000 tons or 98.9%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

The production of steel in March was 7,290,000 net tons of ingots and steel for castings, an increase of more than 206,000 tons from the February total, according to the Institute.

Electric Output Continues Downward Trend

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, April 10, 1954, was estimated at 8,396,000,000 kwh., according to the Edison Electric Institute.

The current figure represents a decrease of 67,000,000 kwh. below the preceding week, but an increase of 395,000,000 kwh., or 4.9% over the comparable 1953 week and 1,242,000,000 kwh., over the like week in 1952.

Car Loadings Continued to Fall in Latest Week

Loadings of revenue freight for the week ended April 3, 1954, decreased 2,124 cars, or 0.4% below the preceding week, according to the Association of American Railroads.

Loadings totaled 599,302 cars, a decrease of 105,215 cars or 14.9% below the corresponding 1953 week, and a decrease of 107,587 cars or 15.2% below the corresponding week in 1952.

U. S. Auto Output Rises 5.4% Above Level of Week Ago

Automotive production for the latest week rose 5.4% above week ago, but held under the level of 164,932 units produced in the same week last year, "Ward's Automotive Reports," states.

The industry, "Ward's" reports, assembled an estimated 124,552 cars last week, compared with 116,530 (revised) in the previous week. A year ago the weekly production was 135,754.

Last week, the agency reported there were 21,590 trucks made in this country, as against 22,061 (revised) in the previous week and 29,178 in the like 1953 week.

"Ward's" estimated Canadian plants turned out 8,781 cars and 2,149 trucks last week, against 6,222 cars and 1,685 trucks in the preceding week and 8,598 cars and 3,252 trucks in the comparable 1953 week.

Business Failures Ease Further the Past Week

Commercial and industrial failures declined mildly to 246 in the week ended April 8 from 267 in the preceding week, Dun & Bradstreet, Inc., states. After a month-long increase, casualties now have dipped for the second consecutive week; however, they continued far above the toll of 140 in the similar week of last year and the toll of 184 in 1952. Compared with the pre-war level, mortality was off 17% from the 295 recorded in 1939.

Among failures with liabilities of $5,000 or more, there was a decline to 208 from 230 a week ago, but casualties of this size were considerably higher than last year when 121 occurred. Small failures, those involving liabilities under $5,000, edged up to 38 from 37 and were twice as numerous as in the corresponding week of 1953. Fifteen businesses succumbed with liabilities in excess of $100,000, the same number as in the previous week.

Retail mortality fell to 127 from 146, construction to 27 from 34, and commercial service dipped to 14 from 16. Contrary to these declines, manufacturing and wholesaling failures increased slightly. More concerns failed than last year in all industry and trade groups. Casualties among manufacturers were twice as heavy as in 1953 and among wholesalers and service establishments the rise was even sharper.

Geographically, failures were lower duruing the week in five of the nine areas, including the Middle Atlantic States with 98 as against 105, the Pacific States with 49 as against 54, and the East North Central with 29 as against 34. In contrast, failures rose slightly in the New England, East and West South Central States. Mortality exceeded the 1953 level in all regions except the Mountain States which held steady. The sharpest rise from a year ago appeared in the South Central Regions.

Wholesale Food Price Index Registers First Decline in Nine Weeks

Following an eight-week rise to an all-time high of $7.42 two weeks ago, the wholesale food price index, compiled by Dun & Bradstreet, Inc., fell 2 cents last week to stand at $7.40 on April 6. This compares with $6.32 on the corresponding date a year ago, or a gain of 17.1%, and represents an increase of 8.0% over the 1954 low point of $6.85 in the opening week of the year.

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 Reflected a Mildly Lower Trend in Past Week

The general price level, as measured by the Dun & Bradstreet daily wholesale commodity price index, displayed a mildly lower trend during the past week. The index closed at 276.97 on April 6, as compared with 278.42 a week earlier, and 280.05 on the corresponding date last year.

Grain markets were unsettled with prices, except for rye, showing moderate declines for the week. After hitting the lowest levels of the season early in the period, rye turned sharply upward on buying stimulated by the announcement that imports would be restricted for another year. Although showing strength at times wheat closed lower.

Depressing influences included the lack of any appreciable export demand and improved weather conditions over the Winter wheat belt.

Oats declined largely in sympathy with other grains, while weakness in corn reflected increased receipts and easiness in the cash market. The volume of trading in grain and soybean futures on the Chicago Board of Trade declined last week.

Daily average sales dropped to 48,500,000 bushels, from 60,600,000 the week before, and compared with 42,700,000 in the like week last year.

Flour prices developed an easier trend as buying interest held at a low ebb. There was some expansion in rye flour bookings but demand for hard wheat bakery types was limited to scattered fill-in replacement purchases. Coffee showed a moderate rise for the week despite a sharp drop from the all-time high reached last Friday. The easiness in late dealings reflected the improved supply position resulting from the termination of the dock strike.

Another round of price advances of from 5 to 6 cents a pound in roasted coffees was announced as the week drew to a close.

Cocoa was irregular and developed a weaker undertone influenced by a sharp drop in the London market and the release of supplies following the end of the dock strike. Warehouse stocks of cocoa were reported at 110,664 bags, comparing with 115,254 a week previous and 69,687 bags a year ago. The lard market displayed a firmer tone aided by the continued uptrend in live hog values which rose to the highest levels since September 1948. Market receipts of hogs have been running consistently below the level of a year ago.

Spot cotton prices moved unevenly in a narrow range and closed with a slight net loss for the week. Sales in the 10 spot markets were smaller and totalled 72,100 bales for the week, against 79,700 a week earlier, and 68,400 in the same week last year. Easiness in the market reflected dullness in textile markets and the gradual enlargement of "free" supplies as loan withdrawals continue to exceed entries. Foreign demand showed some improvement and sales for export were moderate in volume. CCC loan entries during the week ended March 26 were reported at 29,800 bales, down from 83,600 the week before. Repossessions during the same period totalled 80,800 bales, against 86,600 the previous week. Stocks of 1953-crop cotton still in the loan as of March 26 totalled 6,223,200 bales.

Trade Volume Perks Up In Pre-Easter Buying

Retail sales in the period ended on Wednesday of last week rose perceptibly from the level of the preceding week but continued to the markedly below a year ago as a result of the shift in Easter dates. At this time last year, Easter buying was at its peak.

The lessening of the excise tax on April 1 resulted in increased sales in some of the items on which the tax had been higher.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 10 to 6% below the level of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: New England —12 to —8; East and South —8 to —4; Midwest and Southwest —11 to —7; Southwest —9 to —5; Pacific Coast 0 to —6.

Despite unseasonable weather last week, apparel sales increased from the level of the preceding week but continued to be markedly below the level of a year ago. Fur departments benefited from the cut in the excise tax and sales rose markedly.

Housefurnishings purchases spurted but continued to be somewhat below a year ago. The delay in appliance purchases due to excise tax cuts was sustained as customers waited for advertisements announcing the lower prices.

Auto volume continued to expand seasonally as price shading remained a common practice.

Food volume increased from the preceding week. The lower dairy prices resulting from the price support cut were heavily promoted and consumption of some dairy products was markedly above the previous week and in some areas above a year ago.

The increase in coffee prices resulted in a slight dip in consumption; however, announcements of additional price increases resulted in some hoarding purchases.

The volume of wholesale trade in the period ended on Wednesday of last week edged up slightly from the level of the preceding week. Some hurried re-orders of Easter merchandise were placed and some dealers had a difficult time meeting delivery dates.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended April 3, 1954 decreased 13% below the level of the preceding week. In the previous week, March 27, 1954, a decrease of 11% was reported from that of the similar week in 1953. For the four weeks ended April 3, 1954, a decline of 11% was reported. For the period *Jan. 1 to April 3, 1954, department store sales registered a decrease of 6% below the corresponding period of 1953.

Retail trade volume in New York last week exceeded the like period a year ago by about 25%, according to estimates by retailers. The main reason for the better showing, in the latest week, was the fact that the similar week in 1953 was the one immediately following Easter when sales are traditionally lower.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended April 3, 1954, registered a decline of 8% below the like period of last year. In the preceding week, March 27, 1954, a decline of 4% (revised) was reported from that of the similar week of 1953, while for the four weeks ended April 3, 1954, a decrease of 7% was reported. For the period *Jan. 1 to April 3, 1954, a decline of 2% was registered under that of the 1953 period.

*** Comparison period begins with the Jan. 4-9 week in 1954 and with the Jan. 5-10 week in 1953.**

S. Wade Marr Adds

(Special to THE FINANCIAL CHRONICLE)

ELIZABETH CITY, N. C. — Thomas C. Parker has become associated with S. Wade Marr, Caroline Building.

Now With Jamieson & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Otho O. Sheffield has become connected with Jamieson & Company, Russ Building.

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)	Apr. 19	§67.3	*68.0	67.6	98.9
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 19	§1,604,000	*1,622,000	1,613,000	2,228,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 3	6,486,250	6,452,150	6,432,900	6,341,250
Crude runs to stills—daily average (bbls.)	Apr. 3	§6,761,000	7,000,000	6,951,000	6,965,000
Gasoline output (bbls.)	Apr. 3	22,858,000	*23,607,000	23,874,000	22,033,000
Kerosene output (bbls.)	Apr. 3	2,233,000	*2,424,000	2,989,000	2,479,000
Distillate fuel oil output (bbls.)	Apr. 3	10,058,000	*10,185,000	10,617,000	10,102,000
Residual fuel oil output (bbls.)	Apr. 3	8,025,000	8,371,000	8,195,000	8,593,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 3	179,674,000	*178,626,000	179,203,000	160,899,000
Kerosene (bbls.) at	Apr. 3	17,447,000	*17,800,000	19,905,000	18,379,000
Distillate fuel oil (bbls.) at	Apr. 3	59,511,000	*60,654,000	68,194,000	59,428,000
Residual fuel oil (bbls.) at	Apr. 3	43,718,000	44,093,000	46,065,000	39,998,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 3	599,302	601,426	590,567	704,517
Revenue freight received from connections (no. of cars)	Apr. 3	580,366	588,724	585,261	660,451
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 8	$314,283,000	$329,541,000	$245,541,000	$195,113,000
Private construction	Apr. 8	184,370,000	198,852,000	166,121,000	101,479,000
Public construction	Apr. 8	129,913,000	130,689,000	79,420,000	93,634,000
State and municipal	Apr. 8	105,861,000	113,699,000	69,319,000	63,088,000
Federal	Apr. 8	24,052,000	16,990,000	10,101,000	30,546,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 3	5,860,000	6,670,000	6,255,000	7,131,000
Pennsylvania anthracite (tons)	Apr. 3	465,000	474,000	406,000	311,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Apr. 3	103	100	85	118
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 10	8,396,000	8,463,000	8,519,000	8,001,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 8	246	267	229	140
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 6	4.634c	4.634c	4.634c	4.376c
Pig iron (per gross ton)	Apr. 6	$56.59	$56.59	$56.59	$55.26
Scrap steel (per gross ton)	Apr. 6	$24.50	$24.33	$23.50	$43.92
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 7	29.700c	29.700c	29.700c	29.800c
Export refinery at	Apr. 7	29.475c	29.050c	28.925c	34.300c
Straits tin (New York) at	Apr. 7	94.500c	95.500c	87.250c	111.000c
Lead (New York) at	Apr. 7	13.750c	13.500c	12.500c	13.250c
Lead (St. Louis) at	Apr. 7	13.550c	13.300c	12.300c	12.800c
Zinc (East St. Louis) at	Apr. 7	10.250c	10.250c	9.250c	11.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 13	100.09	100.52	100.01	93.76
Average corporate	Apr. 13	111.07	110.88	110.52	106.21
Aaa	Apr. 13	116.02	116.02	116.02	109.42
Aa	Apr. 13	113.31	113.12	112.56	108.16
A	Apr. 13	110.52	110.34	110.15	105.34
Baa	Apr. 13	104.66	104.66	104.14	102.13
Railroad Group	Apr. 13	109.79	109.60	108.52	104.31
Public Utilities Group	Apr. 13	110.88	110.70	110.88	105.69
Industrials Group	Apr. 13	112.37	112.37	112.37	108.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 13	2.49	2.45	2.50	2.95
Average corporate	Apr. 13	3.11	3.12	3.14	3.38
Aaa	Apr. 13	2.85	2.85	2.85	3.20
Aa	Apr. 13	2.99	3.00	3.03	3.27
A	Apr. 13	3.14	3.15	3.16	3.43
Baa	Apr. 13	3.47	3.47	3.50	3.62
Railroad Group	Apr. 13	3.18	3.19	3.25	3.49
Public Utilities Group	Apr. 13	3.12	3.13	3.12	3.41
Industrials Group	Apr. 13	3.04	3.04	3.04	3.24
MOODY'S COMMODITY INDEX	Apr. 13	434.3	437.6	427.3	415.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 3	298,123	222,161	304,917	364,392
Production (tons)	Apr. 3	225,519	239,337	223,579	251,974
Percentage of activity	Apr. 3	89	90	88	95
Unfilled orders (tons) at end of period	Apr. 3	424,943	355,230	401,043	567,535
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Apr. 9	108.35	*108.12	108.00	107.06
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 shares	Mar. 27	876,370	849,612	645,030	879,588
Dollar value	Mar. 27	$38,843,567	$37,580,870	$29,757,573	$39,530,066
Odd-lot purchases by dealers (customers' sales)†—					
Number of shares—Total sales	Mar. 27	904,939	903,256	656,574	835,151
Customers' short sales	Mar. 27	8,213	7,855	7,441	6,742
Customers' other sales	Mar. 27	896,726	900,401	649,133	828,409
Dollar value	Mar. 27	$38,079,679	$38,099,914	$27,259,465	$32,488,279
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 27	322,810	305,420	214,450	281,920
Short sales	Mar. 27	------	------	------	------
Other sales	Mar. 27	322,810	305,420	214,450	281,920
Round-lot purchases by dealers—					
Number of shares	Mar. 27	258,710	251,110	219,670	308,160
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Mar. 20	320,360	328,220	411,270	332,590
Other sales	Mar. 20	8,937,540	9,148,260	8,722,360	9,567,570
Total sales	Mar. 20	9,257,900	9,476,480	9,133,630	9,900,160
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 20	972,830	942,970	876,550	925,920
Short sales	Mar. 20	162,390	177,360	194,920	165,480
Other sales	Mar. 20	766,890	756,810	737,790	787,890
Total sales	Mar. 20	929,280	934,170	932,710	953,370
Other transactions initiated on the floor—					
Total purchases	Mar. 20	291,230	291,210	227,820	316,760
Short sales	Mar. 20	12,900	9,400	18,700	12,000
Other sales	Mar. 20	267,420	254,750	233,320	302,230
Total sales	Mar. 20	280,320	264,150	252,020	314,230
Other transactions initiated off the floor—					
Total purchases	Mar. 20	393,193	368,091	342,375	351,025
Short sales	Mar. 20	39,040	42,240	41,390	69,170
Other sales	Mar. 20	356,877	372,764	384,070	367,795
Total sales	Mar. 20	395,917	415,004	425,460	436,965
Total round-lot transactions for account of members—					
Total purchases	Mar. 20	1,657,253	1,602,271	1,446,745	1,593,705
Short sales	Mar. 20	214,330	229,000	255,010	246,650
Other sales	Mar. 20	1,391,187	1,384,324	1,355,180	1,457,915
Total sales	Mar. 20	1,605,517	1,613,324	1,610,190	1,704,565
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 6	110.9	110.9	110.6	109.6
Farm products	Apr. 6	100.4	99.9	99.0	98.6
Processed foods	Apr. 6	104.6	105.0	104.6	103.6
Meats	Apr. 6	93.9	93.8	91.6	88.6
All commodities other than farm and foods	Apr. 6	114.6	114.4	114.4	113.2

*Revised figure. ¶Includes 568,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. (U. S. DEPT. OF LABOR)—Month of Jan. (000's omitted):			
All building construction	591,813	*$608,318	$598,695
New residential	281,269	*283,330	316,378
New nonresidential	237,378	*248,324	203,043
Additions, alterations, etc.	73,166	*76,664	79,273
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of March (in millions):			
Total new construction	$2,538	$2,317	$2,527
Private construction	1,765	1,638	1,729
Residential building (nonfarm)	854	766	863
New dwelling units	765	680	770
Additions and alterations	68	64	74
Nonhousekeeping	21	22	19
Nonresidential building (nonfarm)	470	476	430
Industrial	172	177	198
Commercial	156	158	114
Warehouses, office and loft buildings	71	73	49
Stores, restaurants, and garages	85	85	65
Other nonresidential building	142	141	118
Religious	40	41	33
Educational	38	38	30
Social and recreational	16	16	10
Hospital and institutional	27	26	26
Miscellaneous	21	20	19
Farm construction	96	89	108
Public utilities	338	300	320
Railroad	33	27	34
Telephone and telegraph	50	45	48
Other public utilities	255	228	238
All other private	7	7	8
Public construction	773	697	798
Residential building	34	34	47
Nonresidential building	363	339	359
Industrial	135	126	159
Educational	161	156	133
Hospital and institutional	26	23	33
Other nonresidential building	41	34	34
Military facilities	75	62	111
Highways	155	115	140
Sewer and water	67	62	57
Miscellaneous public service enterprises	14	12	13
Conservation and development	53	45	65
All other public	12	10	6
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of February	8,533	9,543	7,943
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM REVISED SERIES—Estimated short and intermediate term credit in millions as of Feb. 28:			
Total consumer credit	$27,478	$28,125	$25,504
Instalment credit	21,151	21,444	18,982
Automobile	9,915	10,084	8,480
Other consumer goods	5,377	5,495	5,208
Repair and modernization loans	1,570	1,587	1,404
Personal loans	4,289	4,278	3,890
Noninstalment credit	6,327	6,681	6,522
Single payment loans	2,054	2,083	2,118
Charge accounts	2,550	2,893	2,678
Service credit	1,723	1,705	1,726
CONSUMER PRICE INDEX — 1947-49 = 100 — Month of February:			
All items	115.0	115.2	113.4
Food	112.6	113.1	111.5
Food at home	112.0	112.6	111.1
Cereals and bakery products	121.3	121.2	117.6
Meats, poultry and fish	109.7	110.2	107.7
Dairy products	109.0	109.7	110.7
Fruits and vegetables	108.0	110.8	115.9
Other foods at home	114.0	113.5	107.3
Housing	118.9	118.8	116.6
Rent	127.9	127.8	121.5
Gas and electricity	107.5	107.1	106.1
Solid fuels and fuel oil	126.2	125.7	123.3
Housefurnishings	107.2	107.2	108.0
Household operation	117.3	117.2	113.5
Apparel	104.7	104.9	104.6
Transportation	129.4	130.5	129.1
Medical care	124.1	123.7	119.3
Personal care	113.9	113.7	112.5
Reading and recreation	108.0	108.7	107.5
Other goods and services	120.2	120.3	115.8
COTTON AND LINTERS — DEPT. OF COMMERCE—RUNNING BALES:			
Lint—Consumed months of February	684,367	678,827	766,090
In consuming establishments as of Feb. 27	1,824,034	1,736,445	1,863,106
In public storage as of Feb. 27	11,488,551	12,083,258	6,892,984
Linters—Consumed month of February	94,559	113,081	109,914
Stocks Feb. 27	1,460,699	1,401,712	1,095,971
Cotton spindles active as of Feb. 27	19,656,000	19,652,000	20,303,000
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of January:			
All manufacturing (production workers)	12,821,000	*13,107,000	13,619,000
Durable goods	7,493,000	*7,651,000	8,020,000
Nondurable goods	5,328,000	*5,456,000	5,599,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	103.7	*106.0	110.7
Payroll Indexes (1947-49 Average = 100) —			
All manufacturing	138.9	*144.0	148.4
Estimated number of employees in manufacturing industries—			
All manufacturing	16,177,000	*16,488,000	16,884,000
Durable goods	9,413,000	*9,584,000	9,880,000
Nondurable goods	6,764,000	*6,904,000	7,004,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK LTD.—Month of March	£43,432,000	£93,937,000	£27,783,000
NONFARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of Dec.	1,971	1,779	1,585
U. S. GOVT. STATUTORY DEBT LIMITATION —As of March 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	270,235,368	274,781,539	264,484,781
Guaranteed obligations not owned by the Treasury	77,086	77,011	51,275
Total gross public debt and guaranteed obligations	$270,312,455	$274,858,550	$264,536,057
Deduct—other outstanding public debt obligations not subject to debt limitation	555,952	558,701	607,515
Grand total outstanding	$269,756,502	$274,299,848	$263,928,542
Balance face amount of obligations, issuable under above authority	5,243,497	700,151	11,071,457

Continued from first page

A Defense of the Administration's Tax Revision Measure

for those in business to try new things or to improve the way they are doing things at present. We realize that some of the present provisions of the Code were adopted to raise money quickly during periods of heavy spending for war purposes. But we have wound up with an overall tax system which has many defects.

The fact that our tax system needs revision is not something, incidentally, that the Republican Party has just suddenly proposed.

For years Congressional committees, with Democratic Chairmen and Democratic majority membership, have recommended revision. And Democratic minority members of the House Ways and Means Committee in 1947-48 when the Republicans were the majority in Congress, also recommended revision and specifically listed double taxation of dividends and more flexible depreciation as items needing prompt consideration.

The general tax revision bill now before you, in other words, is not an arbitrary proposal of this Administration. Most of its major provisions have been developed after long objective study and—in the absence of compelling political reasons to the contrary—have over the years been supported on both sides of the aisle in both the House and the Senate.

With most sincere conviction, I say that a modernization of our tax structure, as provided in part by the present tax revision bill, is something which this nation must have for continued growth and prosperity.

The terrific importance of the tax structure upon our economy is obvious when we stop to think that 25% of the national income now goes for Federal taxes. With this larger proportion of our national income going into Federal Government, it is only sensible that the tax laws provide the fewest possible hardships for individual taxpayers. It is also important that the tax laws include the fewest possible drags on the wheels of American ingenuity and business in going ahead with new and better things under the free enterprise system which has made this country great.

For the future of our country, we must get out of our tax system as many of the inequities to individuals and barriers to economic growth as we possibly can. That is the purpose of the tax revision bill before you. There are many other changes in the Code which we will continue to study and make further recommendations on in the years ahead. But this is a good start in cleaning up what at present is a very messy and stifling national tax structure.

In addition to straightening out the many inequalities of the tax code, we will keep working toward further cuts in total taxes required. And when we have cut spending so that we can cut taxes even further, we will then recommend that these tax cuts be made in rates, because it is in rates that the principal increases have been made in the past 15 years.

II

The Whole Tax Program

The general revision bill is only a part—but a very vital part—of our entire tax program. And this tax program, as the President said in his March 15 tax broadcast, is "the cornerstone" of the Administration's entire effort. It is a whole tax program which, when we include some excise cuts to which we were opposed, will make effective tax cuts of $7.4 billion this year.

As the President pointed out at his news conference last week, this is the largest total tax cut made in any year of our history.

The spending program of this Administration's 1955 budget is $12 billion less than called for by the 1954 budget we found when we arrived. And it is $$8.5 billion less than was actually spent in fiscal 1953.

Without these savings, there could have been no tax relief for anyone. Because of these savings, tax cuts of more than $7 billion have been possible.

On Jan. 1 taxes were cut by $5 billion by the reduction in individual income taxes and the expiration of the excess profits tax. The tax revision bill which we are discussing specifically today, while reforming the tax structure, will also result in reductions of $1.4 billion. We should note also that attached to this tax revision bill is the continuation of the corporation income tax at the 52% rate—an extension which will net $1.2 billion this year, or almost enough to pay for the entire cost of the revision bill. This hardly makes the bill a "giveaway to business" as some have called it.

The cost of the revision bill was provided for in the Budget Message (page M28), with a net loss from individual taxes of $585 million and a net increase in collections from corporate income taxation of $570 million, reflecting both the continuation of the 52% rate and revision measures. Additional items adopted in the House increase the revenue loss from individual income taxes by $193 million.

III

The Revision Bill

There are three main points about the general revision bill:

First, it is designed as a reform of the tax structure and not a tax reduction bill. We must keep this in mind as we hear the arguments against it which are based on the misinformation that it is cutting taxes in what some people think is "the wrong way." It is a reform program which has been proposed for years and years as needed reform.

Second, it helps millions upon millions of taxpayers who have been plagued by unjust and unfair hardships over many, many years.

Third—and most important of all—it will help our economy to grow; it will help new businesses to start, old businesses to expand, all businesses to modernize, and so help the creation of more and better jobs and better living for everyone.

A few specific provisions will show how millions of various types of Americans will be benefited by specific proposals.

Some 1,300,000 taxpayers will benefit by a change which allow a child to be continued as a dependent even if he earns more than $600 a year.

Some 1,500,000 people will benefit from fairer treatment for retired persons on pensions.

Some 8,500,000 people will benefit from larger deductions for medical expenses.

Some 1,600,000 people will benefit from allowing more liberal deduction of interest under installment purchase contracts.

Some 500,000 farmers will benefit from more liberal allowance for soil conservation expense.

Some 6½ million of the 47 million taxpayers will benefit from the partial relief from double taxation of dividends.

Some 9,600,000 individuals, as well as 600,000 corporations, will benefit from more flexible provisions for depreciation.

The main purpose, as I said, is to help the economy expand and provide more jobs and better living.

The tax structure in this country has reached the point where initiative is seriously stifled.

The features in this tax revision bill which make it more attractive for the man who saves money to invest, or more attractive for the businessman to replace his present inefficient machinery, are the sort of things which can help this economy keep growing. Let's look at two of these controversial so-called "business" povisions for a moment.

The recommendation to reduce double taxation of dividend income will encourage the investment of savings so that business can expand and create more jobs. Largely because of tax restrictions, the trend in recent years has been sharply away from equity financing towards borrowing. This is the wrong way for America's economy to finance its expansion.

Tax relief which will encourage investors to invest in the growth and development of old and new American businesses is in the interests of all the citizens.

A great many Americans receive dividends. Three-fourths of all individuals who get dividends earn less than $10,000 a year. A recent United States Steel Corporation survey showed that 56% of its 280,000 stockholders earn less than $5,000 a year. Relief to stockholders is not limited to just a few wealthy individuals.

The method of relief proposed in this bill is a partial restoration of the treatment originally accorded dividends in 1913 and kept in the law until 1936. During that entire period dividends were exempt from the normal individual tax which was typically the first bracket tax. The 10% credit against tax contained in the present bill will, in effect, exempt dividends from one-half of the present first bracket rate of 20%. This is the same general method of relief adopted in Canada in 1949, but goes only half as far except in the case of the small stockholder who by the terms of this bill gets the first $100 of dividend income completely exempt.

It is one of the provisions which will help the expansion of business and the making of more jobs. We only need to remember that the average cost of providing plant and equipment for one job in America is between $8,000 and $10,000. It is certainly in the interest of all Americans that the incentive to provide the money to create more and more jobs is stimulated so that our increasing numbers of available workers can have the opportunity for employment and wages at the American high standards.

Another provision of this bill allows more flexible changes for depreciation. This proposal will benefit 9,600,000 individuals — farmers, small businessmen, etc.— as well as 600,000 corporations. Here again the purpose is to stimulate employment, plant expansion and modernization.

The total deduction over the life of the property will not be increased and only the same total sum will be given as a tax deduction, but less restrictive rules than at present for writing off the investment in machinery or plant will encourage modernization and rebuilding of more efficient plant equipment and the creation of more jobs for the production of better and cheaper things for living.

Other countries have used special depreciation allowances with great advantage to encourage investment in new equipment and modernization of old plant and equipment. The change in tax allowances for depreciation in this bill are quite limited compared to depreciation treatment in countries such as Canada, Great Britain, Sweden, and Germany.

Nothing can so add to our national strength and preparedness as modernization of the whole industrial plant in America. There is nothing that can make more sure more jobs at which millions of people can earn high wages by producing more and better goods at less cost.

IV

Administration Tax Philosophy

Our tax program has two objectives:

(1) Revision to reduce hardships on individuals and barriers to incentive; and

(2) Reduction of excessively high taxation as rapidly as it is justified by cuts in government spending.

About 70% of all we spend is for security. We have made some savings in this area and we will make more, but no one wants to endanger our security by cutting expenses unwisely.

The only way the government can save money is to reduce its spending. This means either reduction of people from the government payroll or buying less material, which in turn means that the people who produced that material are temporarily out of work. The dollars that are saved in government spending reduces work for the man who used to get those dollars. So that big reductions cannot be made quickly without seriously dislocating the economy.

As we cut government spending, we must return to the people in tax cuts—as we are now doing—the billions of dollars of government money saved, so that it can then be put to making new jobs for the people who previously received their income from government spending.

People who have been making things for the government for killing must, in this period of transition, now get jobs making things for living. Those who were making tanks and guns must now make washing machines and automobiles. A great transition must take place.

To have real prosperity in America, we cannot stimulate consumer buying alone. Large tax cuts to millions of individuals just to buy consumer goods is not enough. Millions of people in this country earn their living making heavy things—big lathes, generators, heavy steel and machinery that consumers do not buy. Such things are purchased by investors. Our tax program not only returns billions of dollars to consumers but also seeks to stimulate the investment of savings to buy the products of heavy industry — in the production of which so many millions of Americans get their livelihood.

This Administration is opposed at this time to any further tax cuts than those proposed in this bill. We are particularly opposed to any increase in personal exemptions, for two simple reasons:

First, we cannot stand any further loss of revenue. An increase in exemptions of $100 would cost about $2.4 billion. An increase to $1,000 would cost nearly $8 billion.

Secondly, it would entirely remove millions of taxpayers from the tax rolls. The President said in his broacast that "the good American doesn't ask for favored position or treatment. . . . Every real American is proud to carry his share of the burden. . . . I simply don't believe for one second that anyone privileged to live in this country wants someone else to pay his own fair and just share of the cost of his government." When a further reduction in taxes is justified it should be made by reducing the rates.

V

Current Outlook

It has been suggested that the current economic situation requires some type of tax action different from that proposed in this tax revision bill.

Just what is the status of our economy at the moment? There is frequent discussion about unemployment and how things are turning down. We can be misled about how bad business really is and how much pick-up can be made. This doesn't mean that I do not realize that a man who is out of a job is in serious trouble. I do not discount his difficulties in any way. This Administration is concerned to see that everyone who wants to work can have employment. But let me call your attention to these plain facts:

In January and February of this year, there were more people employed in America than in any January and February in the whole history of this country except in January and February of last year. In January of 1953 there were 60.8 million people employed, and in February of 1953, 61 million. In January of this year there were 59.8 million employed, and in February, 60.1 million. I repeat this. Except for one year — 1953 — January and February of this year had more people employed than any January and February in our history.

Some economic indicators show downward trends in comparison with this same time last year, which was the highest year in our history. The index of industrial production is down 8%; civilian employment is down a little, as we have said; and the gross national production is down about 1%.

Yet construction is running ahead of 1953. Business plant and equipment plans for 1954 are a very high level. Personal income is running a very little higher than a year ago. And the general price level has been exceptionally stable.

Some people, fearing further downward trends, ask when the government is going to get "in" and do something about it.

The fact is that the government is always "in." There are so many things that the government does —or does not do—that have a very real bearing on the state of the economy.

There are many things that the government has already done; things recommended which are now before the Congress; and things which the Administration has proposed either for the future or for action by executive agencies, all of which have and will help strengthen our economy.

First, in things already done, we should look at an area of government action very close to us at Treasury—the area of flexible debt management and monetary policy.

The Federal Reserve Board—with its responsibility for monetary policy—reduced reserve requirements of member banks substantially as early as last June to make sure that there would be no bar to the proper volume of bank credit necessary to a growing economy. The Federal Reserve has purchased short-term government securities in the market, to increase bank reserves, for a considerable period. The rate at which bankers can borrow from the Federal Reserve was reduced in February.

Treasury debt management also has been a positive factor, and government interest rates have fallen to the lowest point in many years. Last July the Treasury had to pay 2½% for a 8-month loan. In February we paid the same rate for a loan running almost 8 years. And our last one-year money borrowing was at 1⅝%. Ninety-day bills cost close to 2½% last June; now they are down to 1%.

In the current economic environment the Treasury has purposely done its financing in a way that would not interfere with the availability of long-term investment funds to corporations, state

and local governments, and for mortgages to home owners. We want to be sure that plant and equipment, home building, and other construction all have ample available funds. The fact that construction thus far this year is running so high demonstrates how effective these policies are.

We have the Small Business Administration to ease the proper handling of credit in this particular and vital part of our economy.

Perhaps the biggest way that the government is continually "in" the economy is in this matter of taxes. We have noted that tax cuts effected this year will total $7.4 billion, the largest total dollar tax cut in history. This saving of such huge amounts of money for peacetime use should have a tremendously beneficial effect in stimulating the economy.

Some of the things recommended by the Administration and now before the Congress which will have considerable bearing upon the economy are as follows:

The President has asked legislation to broaden the base and benefits of old age insurance. This legislation is currently before the House Ways and Means Committee.

In the housing bill, which is currently before the Senate, are two Administration proposals affecting the building of homes. We have asked that the government be allowed to change the terms of governmentally insured loans and mortgages as circumstances require. We have asked that a secondary home mortgage market be established.

The Administration has urged that the highway construction program be increased and a record sum has already been voted by the House.

The Administration is recommending a positive program for flexible price supports for the American farmer. The President's program is being actively considered by both the House and the Senate.

The Administration has taken specific actions within the executive departments and with other governmental bodies to do things that will help strengthen our economy.

We have recommended legislation to improve unemployment insurance and the Administration has asked the governors of the various states to study the possibility of making payment scales more realistic.

A committee for State, local and Federal planning has been appointed and is now at work.

The President has asked the Office of Defense Mobilization to redirect its stockpiling program, which will help distressed mining areas.

The Administration is going ahead with improved planning of its public works programs which can be available for any emergency.

Last but far from least, the tax revision bill which we are specifically considering today, will upon enactment have a tremendously helpful effect upon the economy. While it is basically a long-overdue tax reform bill, it can help greatly the current economic transition. There are many business projects around the country which are being held up pending final decision on this revision bill. It is imperative that the earliest possible action should be taken. When the bill is enacted, these new or expanding businesses can go ahead with their plans, which will result in the creation of thousands of jobs and the vital expansion of our economy.

The government is always "in" the economy. That is one of the facts of life today. But we must remember the fundamental principle that the best government is the least government.

It is the citizens of our free economy who, through their initiative and ingenuity, must make sure that we keep moving ahead with higher employment, higher pay, and better living for all. The steps the Administration has thus far taken—tax cuts, monetary and debt management operations, as well as the other items outside the fiscal field—are steps in the direction of restoring more freedom to our economy. And in more freedom in our economy is the strength of our nation—not only in the current transition period but in the long run as well.

NYSE Revenues Up, But Net Income Dips

Keith Funston, President of the Exchange, reveals that though gross revenues rose around 9%, net income fell from $157,012 to $35,505 in 1953. Says negotiations are under way to erect an additional structure to extend stock trading space if found necessary.

The New York Stock Exchange and affiliated companies earned a net profit in 1953 of $35,505, which compared with net profit of $157,012 in 1952, Keith Funston, President, announced. The Exchange's annual report disclosed that gross income last year increased to $10,011,409 from $9,163,199. The increase reflected primarily the first full year's income from the leased-line operation of the ticker system.

G. Keith Funston

Total expenses in 1953—excluding depreciation and provision for Federal income tax—increased to $9,315,757 from $8,239,811 in the preceding year. The increase reflected the cost of leased-line operation of the ticker system and a non-recurring charge of $235,000 for installing automatic tape announcing equipment in the Quotation Division.

Mr. Funston declared that perhaps the most significant event for the Exchange in 1953—"at least from the point of view of arousing intense public interest"—was the announcement of the Monthly Investment Plan. The plan, for the first time in Exchange history, provides a way of purchasing listed stocks on a pay-as-you-go basis.

"The new plan," he said, "ranks in potential value with the odd-lot system, introduced some 80 years ago, as a means of broadening public ownership of listed stocks."

Mr. Funston said that the Exchange is adopting as a theme, "Own Your Share of American Business," and commented:

"The Exchange fully recognizes the hazards of a program aimed at creating many new share owners. For that reason, the Exchange community has stressed and will continue to stress: (a) the risks as well as the rewards of common stock investment; (b) the necessity for an emergency reserve fund; and (c) the vital need for information and sound advice in any investment program."

Mr. Funston indicated that the Exchange was also concerned with satisfying the investment needs of larger investors.

"The dollar value of institutional holdings of New York Stock Exchange listed stocks at the end of 1953 was about $40 billion—approximately the same as the end of 1952.

"Except for open and closed-end investment trusts, the turnover of these institutional holdings was subsequently lower than market turnover as a whole. Thus, institutional holdings have a profound influence on the market's liquidity.

"It is imperative that the Exchange and its members aggressively gear operations to serve this large and growing segment of our market. In recognition of this the Exchange adopted various rules changes in 1953 designed to facilitate the transfer of large blocks of securities."

The Exchange's long-standing program of inducing listed companies to publish interim statements of earnings achieved almost 100% success. Only 4% report their earnings annually, "primarily because of the seasonal nature of their businesses."

Mr. Funston said that during the year 89% of listed companies were publishing statements of earnings quarterly or monthly and 7% semi-annually. During the year nine companies changed from a semi-annual to a quarterly basis, two from annual to quarterly and one firm from annual to semi-annual.

The Exchange's President disclosed that negotiations were under way which might result in the demolition of the buildings now standing on 20 and 24 Broad Street.

"Negotiations have been entered into with a leading real estate firm, General Realty and Utilities Corporation," he said, "for the lease by a wholly-owned subsidiary of the corporation of the land now occupied by the 20 and 24 Broad Street buildings and the erection by the subsidiary of a modern air-conditioned office building.

"Present plans contemplate that the new building would be constructed to permit the entire lower floors to be used at a later date for extension of the stock trading area should such expansion prove necessary."

COMING EVENTS
In Investment Field

Apr. 12-16, 1954 (Philadelphia, Pa.)
Institute of Investment Banking second annual session at the University of Pennsylvania (sponsored by the Investment Bankers Association of America and the Wharton School of Finance and Commerce.

Apr. 29, 1954 (New York City)
Association of Customers Brokers anniversary dinner at the Hotel Roosevelt.

Apr. 29-30, 1954 (St. Louis, Mo.)
St. Louis Municipal Dealers Group annual outing.

May 7, 1954 (New York City)
Security Traders Association of New York annual dinner at the Waldorf-Astoria.

May 9-11, 1954 (Dallas, Tex.)
Texas Group Investment Bankers Association 19th Annual Meeting.

May 12-14, 1954 (Boston, Mass.)
Board of Governors of Association of Stock Exchange Firms meeting.

May 14, 1954 (Baltimore, Md.)
Baltimore Security Traders Association 19th annual summer outing at the Country Club of Maryland.

May 16-20, 1954 (Chicago, Ill.)
National Federation of Financial Analysts Societies Convention at the Palmer House.

May 21-23, 1954 (Fresno, Calif.)
Security Traders Association of Los Angeles-San Francisco Security Traders Association joint Spring Outing at the Hacienda, Fresno.

June 4, 1954 (Chicago, Ill.)
Bond Club of Chicago 41st annual field day at the Knollwood Club, Lake Forest, Ill.

June 4, 1954 (New York City)
Bond Club of New York 30th annual field day at the Sleepy Hollow Country Club, Scarborough, N. Y.

June 8, 1954 (Detroit, Mich.)
Bond Club of Detroit summer party at the Grosse Ile Golf and Country Club.

June 9-12, 1954 (Canada)
Investment Dealers' Association of Canada Annual Convention at Jasper Park Lodge.

June 11, 1954 (New York City)
Municipal Bond Club of New York 21st annual outing at Westchester Country Club and Beach Club, Rye, N. Y.

June 11, 1954 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at Manufacturers Country Club, Oreland, Pa.

June 16-17, 1954 (Minneapolis, Minn.)
Twin City Bond Club annual picnic cocktail party, Hotel Nicollet June 16; field day and golf tournament, White Bear Yacht Club, June 17.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Acme Industries, Inc., Jackson, Mich. (5/3)
April 12 filed 50,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

Allegheny Natural Gas & Oil Corp. (Del.)
March 19 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—60 cents per share. **Proceeds**—To drill and complete wells, for improvements, to acquire additional oil and/or gas producing and non-producing properties, leases or interests and for working capital. **Office**—Titusville, Pa. **Underwriters**—S. B. Cantor Co. and Northeastern Securities Co., both of New York.

★ Alliance Finance Corp., San Antonio, Texas
April 7 (letter of notification) 23,001 shares of 60-cent cumulative and participating preferred stock (no par) and 25,400 shares of common stock (par 10 cents). **Price**—Of preferred, $10 per share; and of common, $1 per share. **Proceeds**—To finance notes of mobile homes. **Office**—2231 Austin Highway, San Antonio, Tex. **Underwriter**—None.

Allied Products Corp., Detroit, Mich. (4/27)
April 6 filed 65,000 shares of common stock (par $5). **Price**—To be related to the market price of the stock on the American Stock Exchange at time of offering. **Proceeds**—For advances to subsidiary. **Underwriter**—Hemphill, Noyes & Co., New York.

American Coffee-Matic Corp., N. Y.
March 22 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital, etc. **Office**—20 Broad St., New York, N. Y. **Underwriter**—Mid-West Securities, 164 Congress St., Brooklyn, N. Y.

American Transportation Insurance Co., Kansas City, Mo.
March 17 filed 20,000 shares of capital stock (par $100). **Price**—$150 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

● Apex Uranium, Inc. (4/20)
April 5 (letter of notification) 1,775,000 shares of common stock (par one cent), of which 400,000 shares are to be offered to public and 1,375,000 shares to 20 existing stockholders. **Price**—To public, 10 cents per share, and to stockholders, one cent per share. **Proceeds**—To finance exploratory and development operations. **Office**—718 Majestic Bldg., Denver, Colo. **Underwriter**—Carroll, Kirchner & Jaquith, Inc., Denver, Colo., for 400,000 shares.

★ Arden Farms Co., Los Angeles, Calif.
April 5 (letter of notification) 12,289 shares of common stock (par $1) to be exchanged for 153,615 shares of Camellia Diced Cream Co. stock at the rate of one share of Arden Farms common for each 12½ shares of Camellia stock. **Office**—1900 W. Slauson Ave., Los Angeles 47, Calif. **Underwriter**—None.

Arkansas Power & Light Co. (4/20)
March 18 filed 70,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on April 20 at 2 Rector St., New York, N. Y.

Basin Natural Gas Corp., Santa Fe, N. M.
Dec. 23 (letter of notification) 748,000 shares of common stock (par five cents). **Price**—40 cents per share. **Proceeds**—To acquire properties and leases. **Office**—Blatt Bldg., Santa Fe, N. M. **Underwriter**—Hunter Securities Corp., New York.

● Big Horn-Powder River Corp. (4/17)
April 2 (letter of notification) 280,000 shares of common stock (par 10 cents) to be offered to stockholders of record March 31, 1954 on a pro rata basis. **Price**—60 cents per share. **Proceeds**—To retire debt and for working capital. **Office**—930-17th St., Denver, Colo. **Underwriter**—None.

Capper Publications, Inc., Topeka, Kansas
March 23 filed $2,000,000 of series six 5-year first mortgage 4% bonds and $2,000,000 of series seven 10-year first mortgage bonds. **Price**—At 100% of principal amount. **Proceeds**—To advance sums to Topeka Broadcasting Association, Inc., a subsidiary, and for redemption of certain bonds. **Underwriter**—None.

★ Carolina Casualty Insurance Co., Burlington, N.C.
April 7 (letter of notification) 20,000 shares of class B stock (par $1). **Price**—$4 per share. **Proceeds**—To increase capital and surplus. **Office**—262 Morehead St., Burlington, N. C. **Underwriter**—Courts & Co., Atlanta, Ga.

★ Chase Chemical Co.
April 12 (letter of notification) 30,238 shares of common stock (par 10 cents) to be issued upon exercise of warrants. **Price**—75 cents per share. **Proceeds**—For working capital. **Office**—280 Chestnut St., Newark, N. J. **Underwriter**—Vickers Brothers, New York.

★ Cincinnati Fund, Inc., Cincinnati, Ohio
April 12 filed 10,000 shares of its capital stock. **Price**—At market. **Proceeds**—For investment.

Claussen Bakeries, Inc., Augusta, Ga. (4/20)
April 1 filed 162,500 shares of class A common stock (par $1) and 62,500 shares of class B common stock (par $1). **Price**—Of class A shares, to be supplied by amendment; of class B shares, $8 per share. **Proceeds**—From sale of stock, together with $500,000 to be received for sale of 5% debentures, will be used to acquire stock of H. H. Claussen's Sons, Inc. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.

Cleveland Electric Illuminating Co. (5/4)
March 31 filed $20,000,000 of first mortgage bonds due 1989. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Blyth & Co., Inc., and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Glore, Forgan & Co.; The First Boston Corp.; Dillon, Read & Co. Inc. **Bids**—Tentatively expected to be received on May 4.

★ Clinchfield Coal Corp.
April 6 (letter of notification) 1,500 shares of common stock (par $20). **Price**—At market (approximately $32 per share). **Proceeds**—To J. P. Routh, the selling stockholder. **Underwriter**—Fahnstock & Co., New York.

Columbia Gas System, Inc. (4/21)
March 22 filed $50,000,000 of subordinated convertible debentures due 1984 to be offered for subscription by common stockholders of record April 21 on the basis of $100 of debentures for each 36 shares held; rights to expire on May 10. **Price**—100% of principal amount. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—To be received up to 11:30 a.m. (EST) on April 21 at 120 East 41st St., New York 17, N. Y.

NEW ISSUE CALENDAR

April 15 (Thursday)
Chicago & North Western Ry.____Equit. Trust Ctfs.
(Bids noon CST) $4,695,000
International Gt. North. RR.____Equip. Trust Ctfs
(Bids noon CST) $1,845,000

April 17 (Saturday)
Big Horn-Powder River Corp.____Common
(Offering to stockholders—no underwriting) $168,000

April 19 (Monday)
Gas Service Co.____Common
(Kuhn, Loeb & Co.; Union Securities Corp.; Reynolds & Co.; and Allen & Co.) $35,437,500
Mid-State Commercial Corp.____Preferred
(Frazee, Olifiers & Co.) $50,000
Paradox Uranium Mining Corp.____Common
(Tellier & Co.) $300,000

April 20 (Tuesday)
Apex Uranium, Inc.____Common
(Carroll, Kirchner & Jaquith, Inc.) 400,000 shares
Arkansas Power & Light Co.____Preferred
(Bids 11 a.m. EST) $7,000,000
Claussen Bakeries, Inc.____Common
(Johnson, Lane, Space & Co.) 225,000 shares
Devon-Leduc Oils Ltd.____Bonds
(McLaughlin, Reuss & Co.) $2,000,000
Florida Public Utilities Co.____Common
(Starkweather & Co.; Clement A. Evans & Co.; and McCleary & Co.) 25,000 shares
Front Range Uranium Mines, Inc.____Common
(H. J. Cooney & Co.) $299,000
New Mexico Copper Corp.____Common
(Mitchell Securities, Inc.) $300,000
Northern States Power Co.____Preferred
(Bids 10:30 a.m. CST) $15,000,000
Peninsular Telephone Co.____Common
(Offering to stockholders—underwritten by Morgan Stanley & Co. and Coggeshall & Hicks) 131,836 shares
West Penn Power Co.____Bonds
(Bids 11 a.m. EST) $12,000,000

April 21 (Wednesday)
Columbia Gas System, Inc.____Debentures
(Bids 11.30 a.m. EST) $50,000,000
Keps Electric Co.____Debentures & Common
(Offering to stockholders—no underwriting) $224,000
Temco Aircraft Corp.____Common
(Van Alstyne, Noel & Co.) 300,000 shares

April 22 (Thursday)
Standard Uranium Corp.____Common
(Gearhart & Otis, Inc. and Crerie & Co.) $1,787,500

April 23 (Friday)
Telephone Bond & Share Co.____Common
(Offering to stockholders—underwritten by Lazard Freres & Co.; White, Weld & Co.; and W. C. Pitfield & Co., Inc.) 325,000 shares

April 26 (Monday)
North American Uranium & Oil Corp.____Common
(Israel & Co.) $1,500,000

April 27 (Tuesday)
Allied Products Corp.____Common
(Hemphill, Noyes & Co.) 65,000 shares
Commonwealth Edison Co.____Bonds
(Bids 10:30 a.m. CDT) $50,000,000
Housatonic Public Service Co.____Common
(Offering to stockholders—no underwriting) 41,159 shares
I-T-E Circuit Breaker Co.____Preferred
(Smith, Barney & Co. and C. C. Collings & Co.) $5,000,000

April 28 (Wednesday)
General Telephone Co. of Indiana, Inc.____Preferred
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) 30,000 shares
Northern Illinois Gas Co.____Common
(The First Boston Corp. and Glore, Forgan & Co.) 400,000 shares
Utah Power & Light Co.____Bonds
(Bids noon EDT) $15,000,000
Wisconsin Electric Power Co.____Common
(Offering to stockholders—no underwriting) 421,492 shares

April 29 (Thursday)
Combustion Engineering, Inc.____Debentures
(The First Boston Corp.) $15,000,000
Empire District Electric Co.____Preferred
(The First Boston Corp. and G. H. Walker & Co.) $4,000,000
Light Metals Refining Corp.____Common
(Philip Gordon & Co., Inc.) $5,000,000
Southern Pacific Co.____Equip. Trust Ctfs.
(Bids noon EDT) $7,905,000

May 3 (Monday)
Acme Industries, Inc.____Common
(Baker, Simonds & Co.) 50,000 shares
Delaware Power & Light Co.____Bonds
(Bids 11:30 a.m. EDT) $10,000,000
Kansas-Nebraska Natural Gas Co., Inc. Preferred & Common
(The First Trust Co. of Lincoln, Neb. and Cruttenden & Co.) $1,000,000 pfd. and 85,909 shs. of common
Republic Aviation Corp.____Common
(Smith, Barney & Co.) 30,000 shares

May 4 (Tuesday)
Cleveland Electric Illuminating Co.____Bonds
(Bids to be invited) $20,000,000
Montana Power Co.____Bonds
(Bids 11 a.m. EDT) $6,000,000
Montana Power Co.____Preferred
(Bids 11 a.m. EDT) $6,000,000
Southern Counties Gas Co. of Calif.____Bonds
(Bids to be invited) $15,000,000
Wisconsin Electric Power Co.____Bonds
(Bids 11 a.m. EDT) $20,000,000

May 5 (Wednesday)
New Jersey Bell Telephone Co.____Debentures
(Bids 11 a.m. EDT) $25,000,000

May 6 (Thursday)
Allis-Chalmers Mfg. Co.____Preferred
(Blyth & Co., Inc.) $35,000,000

May 11 (Tuesday)
Consolidated Edison Co. of New York, Inc.____Bonds
(Bids to be invited) $50,000,000
Niagara Mohawk Power Corp.____Preferred
(Harriman Ripley & Co. Inc.) $21,000,000

May 12 (Wednesday)
General Public Utilities Corp.____Common
(Offering to stockholders—Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent) about 600,000 shares
Montana Power Co.____Debentures
(Bids 11 a.m. EDT) $18,000,000

May 14 (Friday)
First Nat'l Bank of Toms River, N. J.____Common
(Offering to stockholders) $150,000

May 18 (Tuesday)
New York State Electric & Gas Corp.____Bonds
(Bids to be invited) $20,000,000
Pacific Gas & Electric Co.____Bonds
(Bids to be invited) $65,000,000
Virginia Electric & Power Co.____Bonds
(Bids to be invited) $25,000,000

May 25 (Tuesday)
Consolidated Natural Gas Co.____Debentures
(Bids 11:30 a.m. EDT) $25,000,000

May 26 (Wednesday)
Public Service Electric & Gas Co.____Bonds
(Bids to be invited) $50,000,000

★ **Combustion Engineering, Inc. (4/29)**
April 9 filed $15,000,000 of sinking fund debentures due May 1, 1979. **Price**—To be supplied by amendment. **Proceeds**—To repay $10,000,000 bank loans and for general corporate purposes. **Underwriter** — The First Boston Corp., New York.

Commonwealth Edison Co. (4/27)
April 1 filed $50,000,000 of first mortgage bonds, series Q, due May 1, 1984. **Proceeds** — To redeem $40,000,000 3⅝% bonds due 1983 (which were sold last July) and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids**—Expected to be received up to 10:30 a.m. (CDT) on April 27 at 72 West Adams St., Chicago 90, Ill.

★ **Consol. Edison Co. of New York, Inc. (5/11)**
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on May 11.

Cooperative Grange League Federation Exchange, Inc.
March 26 filed 7,500 shares of 4% cumulative preferred stock (par $100) and 500,000 shares of common stock (par $5). **Price** — At par. **Proceeds**—To retire class B common stock and 5% cumulative preferred stock of G. L. F. Holding Corp., a subsidiary, and for working capital. **Underwriter**—None. This offering is a continuation of earlier offerings of same classes of securities.

Cornbelt Insurance Co., Freeport, Ill.
March 17 filed 300,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For investment. **Underwriter**—None.

★ **Cornell-Dubilier Electric Corp.**
April 7 (letter of notification) 1,666 shares of common stock. **Price**—At market (approximately $30 per share). **Proceeds** — To Octave Blake, the selling stockholder. **Underwriter**—Pyne, Kendall & Hollister, New York.

● **Delaware Power & Light Co. (5/3)**
April 6 filed $10,000,000 first mortgage and collateral trust bonds due 1984. **Proceeds** — To retire bank loans and for construction program. **Underwriter**—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. **Bids**—Tentatively expected to be received up to 11:30 a.m. (EDT) on May 3.

● **Devon-Leduc Oils Ltd. (4/20)**
March 10 filed $2,000,000 10-year 5% convertible sinking fund leasehold mortgage bonds due May 1, 1964. **Price**—100% of principal amount. **Proceeds**—To redeem outstanding bonds, repay bank loan and for general corporate purposes, including drilling commitments in the Stony Plain India Reserve and in participation of the development of the Buck Lake Area. **Office**—Winnipeg, Canada. **Underwriter**—McLaughlin, Reuss & Co., New York.

★ **Diamond Portland Cement Co., Middle Branch, Ohio**
April 8 (letter of notification) 13,403 shares of common stock (par $1). **Price**—$21.50 per share. **Proceeds**—For general corporate purposes, in part to replenish working capital used previously to purchase a walking drag line. **Underwriter**—Merrill, Turben & Co., Cleveland, O.

Ducommun Metals & Supply Co., Los Angeles, Calif.
March 26 (letter of notification) 6,678 shares of common stock (par $2). **Price**—$14.50 per share. **Proceeds**—To Charles E. Ducommun. **Underwriter**—Hill Richards & Co., Los Angeles, Calif.

Duggan's Distillers Products Corp.
Feb. 19 (letter of notification) 200,000 shares of common stock (par 10 cents) to be offered to stockholders. **Price**—25 cents per share. **Proceeds**—For general corporate purposes. **Office**—248 McWhorter St., Newark 5, N. J. **Underwriter**—None.

● **ElectroData Corp., Pasadena, Calif.**
March 15 filed 450,000 shares of common stock (par $1), of which approximately 43,800 shares are being offered for subscription by common stockholders of Consolidated Engineering Corp. at the rate of one share for each two Consolidated shares held April 8; rights to expire April 29. **Price**—$3.50 per share. **Proceeds**—To repay advances from Consolidated and for working capital, etc. **Business** — To design, develop, manufacture and sell or lease standard and specialized electronic data processing equipment for scientific, industrial and commercial uses. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

★ **Empire District Electric Co. (4/29)**
April 8 filed 40,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To prepay bank loans and for new construction. **Underwriters**—The First Boston Corp. and G. H. Walker & Co., New York.

Empire Oil & Refining Co., Inc., Tyler, Texas
March 9 (letter of notification) 60,000 shares of common stock (par five cents). **Price**—At market (estimated at 70 cents per share). **Proceeds** — To underwriter, Charter Securities Corp., New York.

★ **Family Digest, Inc.**
April 9 (letter of notification) 142,875 shares of class A stock. **Price**—At par ($1 per share). **Proceeds**—For operating capital and operating expenses. **Office**—421 Hudson St., New York 14, N. Y. **Underwriter**—Carl J. Bliedung, Washington, D. C.

Fidelity Acceptance Corp., Minneapolis, Minn.
Jan. 26 (letter of notification) 2,800 shares of 6% cumulative preferred stock, class E. **Price**—At par ($25 per share). **Proceeds**—To be available to subsidiaries and reduce outstanding bank loans. **Office**—820 Plymouth Bldg., Minneapolis, Minn. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn.; and B. I. Barnes, Boulder, Colo.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

Firth-Loach Metals, Inc., Pittsburgh, Pa.
March 18 filed 33,400 shares of capital stock (par $25). **Price**—$25 per share. **Proceeds** — For expansion, equipment and working capital. **Underwriter**—None.

● **Florida Public Utilities Co. (4/20)**
March 24 (letter of notification) 25,000 shares of common stock (par $3). **Price**—At market (to be supplied by amendment). **Proceeds**—For construction program. **Underwriters**—Starkweather & Co., New York; Clement A. Evans & Co., Inc., Atlanta, Ga.; and McCleary & Co., Inc., St. Petersburg, Fla.

● **Front Range Uranium Mines, Inc. (4/20)**
April 1 (letter of notification) 1,495,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office**—Interstate Trust Bldg., Denver, Colo. **Underwriter**—H. J. Cooney & Co., New York.

Gamma Corp., Wilmington, Del.
Feb. 2 (letter of notification) 140,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For inventory, capital expenditures and working capital. **Office**—100 West 10th Street, Wilmington, Del. **Underwriter**—Sheehan & Co., Boston, Mass.

Gary (Theodore) & Co., Kansas City, Mo.
March 31 filed 310,000 shares of participating common stock (par 20 cents) to be offered for subscription by holders of participating common and common stock on the basis of seven new shares for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—To provide financing for Telephone Bond & Share Co. and for general corporate purposes. **Underwriter**—None.

● **Gas Service Co., Kansas City, Mo. (4/19)**
March 18 filed 1,500,000 shares of common stock (par $10). **Price** — $23.62½ per share. **Proceeds** — To Cities Service Co., the parent. **Underwriters**—Kuhn, Loeb & Co., Union Securities Corp., Reynolds & Co. and Allen & Co. who won award of this issue on April 13. **Offering**—To public, expected on April 19.

General Credit Corp., Miami, Fla.
March 25 (letter of notification) 74,990 shares of capital stock (par $1). **Price**—$4 per share. **Proceeds**—For working capital. **Office**—799 N. W. 62nd Street, Miami, Fla. **Underwriter**—Murphy & Co., Miami, Fla.

● **General Gas Corp., Baton Rouge, La.**
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

General Stores Corp., New York
March 8 filed 300,000 shares of common stock (par $1). **Price**—$1.37½ per share. **Proceeds**—To pay part of cost of acquisition of Ford Hopkins Co., Chicago, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

General Telephone Co. of Indiana, Inc. (4/28)
March 30 filed 30,000 shares of $2.50 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

★ **Golden West Poultry Farms, Inc.**
April 6 (letter of notification) 150,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For buildings and equipment. **Underwriter**—None.

★ **Grace (W. R.) & Co.**
April 12 (letter of notification) not to exceed 5,500 shares of capital stock. **Price**—To aggregate not to exceed $165,000. **Proceeds**—To a selling stockholder. **Office**— 7 Hanover Square, New York, N. Y. **Underwriter**—None.

★ **Grant (W. T.) Co., New York**
April 9 filed 175,000 shares of its common stock (par $5) to be offered for sale by employees of the company under its "Employees Stock Purchase Plan."

Gulf Insurance Co., Dallas, Texas
March 29 (letter of notification) 5,000 shares of common stock (par $10) to be offered for subscription by stockholders of record April 12 on the basis of one new share for each 44 shares held. **Price**—$55 per share. **Proceeds**—For general corporate purposes. **Office** — 3015 Cedar Springs Road, Dallas, Tex. **Underwriter**—None.

Harlan-Franklin Oil Corp., Jersey City, N. J.
March 1 (letter of notification) 297,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to acquisition of property and related activities with respect to oil business. **Office**—15 Exchange Place. Jersey City, N. J. **Underwriter**—Luster Securities Co., 26 Journal Square, Jersey City. New Jersey.

★ **Home Improvement Financing Corp.**
April 12 (letter of notification) 30,000 shares of 6% preferred stock (with warrants to purchase 60,000 shares of class A common stock). **Price** — At par ($10 per share). **Proceeds** — To finance home improvements. **Office**—240 West Front St., Plainfield, N. J. **Underwriter**—None.

★ **Housatonic Public Service Co. (4/27)**
April 7 filed 41,159 shares of common stock (par $15) to be offered for subscription by stockholders of record April 23 at the rate of one new share for each eight shares then held (with unsubscribed shares being offered to officers and employees). **Price** — To be supplied by amendment. **Proceeds**—To repay $130,000 bank loans and for construction expenses. **Underwriter**—None.

● **Inter-Mountain Telephone Co.**
March 18 filed 142,500 shares of common stock being offered first for subscription by common stockholders of record March 30 on the basis of one new share for each four shares held; rights to expire on April 28. **Price**—At par ($10 per share). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Courts & Co., Atlanta, Ga., for 78,336 shares. The balance of 64,164 shares are to be purchased by two principal stockholders, Southern Bell Telephone & Telegraph Co. and The Chesapeake & Potomac Telephone Co. of Virginia.

★ **I-S, Ultd., Inc.**
April 12 (letter of notification) 49,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Office**—148 East 38th St., New York 16, N. Y. **Underwriter**—None.

Israel (State of)
Feb. 24 filed $350,000,000 of development bonds to be offered in two types, viz: 15-year 4% dollar coupon bonds and 10-year dollar savings (capital appreciation) bonds. **Price**—100% of principal amount. **Proceeds**—For investment in The State of Israel for agriculture, industry and power, transportation and communication, and low cost housing; and for general reserve. **Underwriter**—American Financial & Development Corp. for Israel, New York. Statement effective March 10.

I-T-E Circuit Breaker Co. (4/27)
April 5 filed 100,000 shares of preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term loans. **Underwriters**—Smith, Barney & Co., New York, and C. C. Collings & Co., Inc., Philadelphia, Pa.

Johnston Adding Machine Co.
March 16 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For tooling and dies. **Office**—402 N. Carson St., Carson City, Nev. **Underwriter**—None.

★ **Keps Electric Co. (4/21)**
April 6 (letter of notification) $200,000 of 14-year 4½% registered debentures and 12,000 shares of capital stock (par $1) to be offered to present debenture holders of record April 1; with rights to expire on May 4, in units of one $500 debenture and 30 shares of stock. **Price**—$560 per unit. **Proceeds**—For working capital. **Office**—5000 Baum Blvd., Pittsburgh 13, Pa. **Underwriter**—None.

Kress (S. H.) & Co., New York
March 29 filed 40,000 shares of common stock (no par) for issuance under the company's stock purchase plan for selected employees.

Kropp Forge Co., Cicero, Ill.
March 11 (letter of notification) 40,425 shares of common stock (par 33⅓ cents). **Price**—At market (estimated at $2.75 per share) and will not exceed an aggregate of $150,000. **Proceeds**—To Estate of Emma C. Kropp. **Underwriters**—L. D. Sherman & Co., New York, and Sincere & Co., Chicago, Ill.

★ **Kropp Forge Co., Cicero, Ill.**
April 7 (letter of notification) 26,450 shares of common stock (par 33⅓ cents). **Price**—At market (estimated at $2.50 per share). **Proceeds**—To Roy A. Kropp, Chairman and President. **Underwriter**—L. D. Sherman & Co., New York, and Sincere & Co., Chicago, Ill.

● **Light Metals Refining Corp., New York (4/29)**
Feb. 15 filed 1,250,000 shares of common stock (par $1). **Price** — $4 per share. **Proceeds** — For construction and equipment of control plant, and main plant, working capital, advance royalties and reserves. **Business** — To refine beryllium ore and market the products. **Underwriter**—Philip Gordon & Co., Inc., New York.

Los Angeles Drug Co.
Jan. 28 filed $178,000 of 15-year 5% sinking fund debentures, due Oct. 1, 1966, and 50,000 shares of capital stock (no par), the latter to be first offered for subscription by stockholders. **Price**—For debentures, at par; and for stock, $10 per share. **Proceeds**—To finance expanded merchandise inventory and operating equipment (new building), and for working capital. **Underwriter**—None.

Macmillan Co., New York
March 26 (letter of notification) 1,469 shares of common stock (par $1). **Price**—At market (around $24 per share). **Proceeds** — To George P. Brett, Jr., President. **Underwriter**—Hemphill, Noyes & Co., New York. No general public offer planned.

● **Market Basket, Los Angeles, Calif.**
March 15 filed 28,830 shares of common stock (par 50 cents) being offered for subscription by stockholders of record April 7, on a one-for-ten basis; rights to expire on April 23. **Price**—$16.50 per share. **Proceeds**—For improvements and working capital. **Underwriters** — Bateman, Eichler & Co., The First California Co., Inc., and William R. Staats & Co., all of Los Angeles, Calif.

★ **Martin Arms Corp., Las Vegas, Nev.**
April 8 (letter of notification) 5,000 shares of class A preferred stock (par $5) and 5,000 shares of common stock, class B (par $5) to be offered in units of one share of each class. **Price**—$10 per unit. **Proceeds**—To manufacture small target pistol. **Office** — 510 S. Fifth St.,

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Las Vegas, Nev. **Underwriter** — Robert B. Fisher, 704 En Canto Drive, Las Vegas, Nev.

★ McGraw Electric Co.
April 12 filed 5,000 participations in company's profit sharing plan for employees, together with 40,000 underlying shares of its common stock.

Medina Oil Corp., Orlean, N. Y.
Dec. 9 (letter of notification) 2,800 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To purchase drill rig, etc. **Office** — 10 East Corydon St., Bradford, Pa. **Underwriter** — Winner & Myers, Lock Haven, Pa.

Mediterranean Petroleum Corp., Inc., Republic of Panama
March 30 filed American voting trust certificates for 1,000,000 shares of common stock (par one cent). **Price** —To be supplied by amendment. **Proceeds**—For exploratory drilling and development, and for operations and expenses. **Underwriter**—To be named by amendment.

★ Mid-State Commercial Corp., Middletown, New York (4/19)
April 2 (letter of notification) 5,000 shares of 7% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds** — To reduce notes payable and for working capital. **Underwriter**—Frazee, Olifiers & Co., New York.

Mission Indemnity Co., Pasadena, Calif.
March 29 filed 600,000 shares of common stock (par 65 cents) to be offered first to stockholders and to general public. **Price**—$2 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Mississippi Chemical Corp., Yazoo City, Miss.
Jan. 5 filed 26,666 shares of special common stock (par $5—limited dividend) and $1,500,000 of certificates of participation (to be sold in multiples of $75—5% interest). **Proceeds**—From sale of these securities, together with bank borrowings, are to be used for expansion of facilities. **Underwriter**—None. Sales will be handled by company employees.

Montana Power Co. (5/4)
March 31 filed $6,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., Smith, Barney & Co., Blyth & Co., Inc. and Lee Higginson Corp. (jointly); Union Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EDT) on May 4.

Montana Power Co. (5/4)
March 31 filed 60,000 shares of cumulative preferred stock (no par). **Proceeds** — For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: White, Weld & Co.; Union Securities Corp.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on May 4.

Montana Power Co. (5/12)
March 31 filed $18,000,000 of debentures due 1979. **Proceeds**—To refund a like amount of 4⅜% debentures due 1978. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co., Smith, Barney & Co., Blyth & Co., Inc. and Union Securities Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on May 12.

Monterey Oil Co., Los Angeles, Calif.
Feb. 2 filed 257,338 shares of common stock (par $1). **Price**—At the market price then prevailing on the New York Stock Exchange, or through special offerings or secondary distributions. **Proceeds**—To Lehman Borthers (400 shares); partners of Lehman Brothers and members of their immediate families (150,458); and The Lehman Corp. (106,480). **Underwriter**—None. No general offer planned.

Moreno Uranium Corp., Denver, Colo.
March 31 (letter of notification) 750,000 shares of common stock (par 10 cents) to be offered first to stockholders. **Price**—To stockholders, 20 cents per share, and to public, 25 cents per share. **Proceeds**—For drilling, surveys, acquisition of properties and working capital. **Office**—731 Cooper Bldg., Denver, Colo. **Underwriter** —None.

Mountain States Telephone & Telegraph Co.
March 5 filed 487,248 shares of capital stock being offered to stockholders of record March 26 on the basis of one new share for each four shares held; rights to expire on April 30. About 86.66% of the presently outstanding stock is owned by American Telephone & Telegraph Co. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent company and for new construction. **Underwriter**—None.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

National Union Fire Insurance Co.
Feb. 26 filed 200,000 shares of capital stock (par $5) being offered for subscription by stockholders of record March 19 on the basis of one new share for each two shares held; rights to expire on April 19. **Price**—$30 per share. **Proceeds**—To be added initially to the company's general funds to be invested in securities which are qualified as legal investments. **Underwriter**—The First Boston Corp., New York.

New Bristol Oils, Ltd., Toronto, Ont., Canada
Dec. 18 filed 1,000,000 shares of common stock (par $1). **Price**—To be related to the bid price of the shares on the Toronto Stock Exchange, with a 20% underwriting commission. **Proceeds**—For general corporate purposes. **Underwriter**—To be named by amendment.

New England Gas & Electric Association
Dec. 10 filed 32,126 common shares of beneficial interest (par $8) being offered in exchange for common stock of New Bedford Gas & Edison Light Co. held by minority stockholders on the basis of 4¾ New England shares for each New Bedford share held. The offer will expire on April 24. **Financial Advisor**—The First Boston Corp., New York.

New Jersey Bell Telephone Co. (5/5)
April 7 filed $25,000,000 of 35-year debentures due May 1, 1989. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent, and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Shields & Co.; White, Weld & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on May 5.

• New Mexico Copper Corp. (4/20)
April 4 (letter of notification) 600,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—Carrizozo, N. M., and 1211 E. Capital St., Washington, D. C. **Underwriter** —Mitchell Securities, Inc., Baltimore, Md.

New Yorker Magazine, Inc.
Feb. 23 (letter of notification) 2,400 shares of common stock (par $1). **Price**—$20.25 per share. **Proceeds**—To a selling stockholder. **Underwriter** — Silberberg & Co., New York.

• North American Uranium & Oil Corp. (4/26)
March 1 filed 750,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, including payment of balance due on certain claims and properties. **Underwriter**—Israel & Co., New York.

North Shore Music Theater, Inc., Boston, Mass.
Feb. 3 (letter of notification) $80,000 of 5% notes due Feb. 1, 1974, and 2,000 shares of common stock (par $10) to be sold in units of $400 principal amount of notes and 10 shares of stock. **Price**—$500 per unit. **Proceeds**—For actors' equity bond, royalties, land, construction of theater and related expenses. **Office**—60 State St., Boston, Mass. **Underwriter**—H. C. Wainwright & Co., Boston, Mass.

★ Northern Illinois Gas Co. (4/28)
April 8 filed 400,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds** — For additions and improvements to property. **Underwriters**—The First Boston Corp. and Glore, Forgan & Co., both of New York.

• Northern States Power Co. (Minn.)
March 16 filed 1,219,856 shares of common stock (par $5) being offered for subscription by common stockholders on the basis of one new share for each 10 shares held on April 15; rights to expire on May 4. **Price** —$14 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—The First Boston Corp., Blyth & Co., Inc., and Kuhn, Loeb & Co. (jointly).

Northern States Power Co. (Minn.) (4/20)
March 16 filed 150,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co. **Bids**—To be received up to 10:30 a.m. (CST) on April 20 at 231 So. La Salle St., Chicago, Ill.

★ Paleo Oil & Gas Corp., Chickamauga, Ga.
April 5 (letter of notification) 299,800 shares of capital stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To explore for oil and gas. **Underwriter** — Gill, Pope Co., New York.

Pan-Israel Oil Co., Inc. of Republic of Panama
March 30 filed American voting trust certificates for 1,000,000 shares of common stock (par one cent). **Price**—To be supplied by amendment. **Proceeds**—For exploratory drilling and development, and for operations and expenses. **Underwriter**—To be named by amendment.

• Paradox Uranium Mining Corp. (4/19)
March 22 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds**—For mining expenses. **Office**—608 Rood Ave., Grand Junction, Colo. **Underwriter**—Tellier & Co., Jersey City, N. J.

Peninsular Telephone Co., Tampa, Fla. (4/20)
April 1 filed 131,836 shares of common stock (no par) to be offered for subscription by stockholders of record April 20 at the rate of one new share for each five shares then held (with unsubscribed shares being offered to certain officers and employees); rights to expire on May 5. **Price**—To be supplied by amendment. **Proceeds** For construction program. **Underwriter**—Morgan, Stanley & Co. and Coggeshall & Hicks, both of New York.

Pennsylvania Gas Co.
Feb. 25 (letter of notification) 17,526 shares of capital stock (no par) being offered for subscription by minority stockholders of record March 19 on basis of one new share for each 12½ shares held; rights to expire on April 26. National Fuel Gas Co., majority stockholder, will subscribe for an additional 28,554 shares. **Price**—$15 per share. **Proceeds**—For acquisition and working capital. **Office**—Warren, Pa. **Underwriter**—None.

Pennsylvania Power & Light Co.
March 12 filed 704,917 shares of common stock (no par) being offered for subscription by common stockholders of record April 2 at the rate of one new share for each seven shares held; rights to expire on April 19. **Price**—$39.75 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—The First Boston Corp., New York, and Drexel & Co., Philadelphia, Pa.

People's Finance Corp., Denver, Colo.
March 23 filed $300,000 of 6% 15-year convertible subordinated debentures. **Price**—100% of principal amount. **Proceeds**—For general corporate purposes, probably to reduce outstanding bank loans or repurchase of outstanding securities. **Underwriter** — Paul C. Kimball & Co., Chicago, Ill.

People's Finance Corp., Denver, Colo.
March 23 filed 2,904 shares of 6% cumulative preferred stock. **Price**—At par ($50 per share). **Proceeds** — For general corporate purposes. **Underwriter**—None. Company is also seeking registration of $164,000 of debentures, notes and preferred and common stock heretofore sold and holders thereof are to be offered the right to rescind their purchases.

★ Porta Co., Inc., Chestnut Hill, Mass.
April 8 (letter of notification) 640 shares of $6 cumulative preferred stock (no par) and 640 shares of common stock (no par) to be offered in units of one share of each class of stock. **Price**—$100 per unit. **Proceeds**—For manufacture of sporting goods. **Office** — 48 Moody St., Chestnut Hill, Mass. **Underwriter** — Minot Kendall & Co., Inc., Boston, Mass.

★ Prudential Finance Corp. of America, Washington, D. C.
April 9 (letter of notification) $100,000 of 6% debentures and 100,000 shares of common stock (par 10 cents) and 50,000 shares of class A stock (par one cent), the shares to be sold in units of one share of common and one-half share of class A stock. **Price**—Of debentures, at par; of stock units, $2 each. **Proceeds**—To make loans and discount commercial paper. **Office** — 1108-16th St., N. W., Washington 6, D. C. **Underwriter**—John C. Kahn Co., Washington, D. C.

Public Service Co. of New Mexico
March 17 filed 138,656 shares of common stock (par $5) being offered for subscription by common stockholders of record April 1 at the rate of one new share for each 10 shares held; rights to expire on April 27. **Price**—$11.25 per share. **Proceeds**—For construction program. **Underwriter**—Allen & Co., New York.

Pumice, Inc., Idaho Falls, Idaho
March 29 (letter of notification) 1,170,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To complete plant, repay obligations and for working capital. **Office** — 1820 N. Yellowstone, Idaho Falls, Idaho. **Underwriter** — Coombs & Co., Salt Lake City, Utah.

Regal Plastic Co., Kansas City, Mo.
March 29 (letter of notification) 60,000 shares of common stock (par 25 cents). **Price**—At market (approximately $4 per share) offered to warrant holders at 1 cent per share and exercisable at $2 per share. **Proceeds** — For general corporate purposes. **Underwriter** — S. D. Fuller & Co., New York.

★ Republic Aviation Corp. (5/3)
April 14 filed 30,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To a selling stockholder. **Underwriter**—Smith, Barney & Co., New York.

Resort Airlines, Inc., Miami, Fla.
March 17 (letter of notification) 1,087,030 shares of common stock (par 10 cents), being offered for subscription by stockholders of record March 15 on a 1-for-2 basis; rights to expire April 16. **Price** — 25 cents per share. **Proceeds**—For working capital. **Address** — Box 242, International Airport, Miami, Fla. **Underwriter**—None.

Safeway Stores, Inc., Oakland, Calif.
March 17 filed 267,000 shares of 4.30% cumulative convertible preferred stock (par $100) being offered for subscription by common stockholders at rate of one preferred share for each 13 shares of common stock held on April 5; rights to expire April 21. **Price**—$100.35 per share. **Proceeds**—To repay bank loans and for working capital. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

• Scurry-Rainbow Oil Ltd., Calgary, Alta., Canada
Feb. 15 filed 4,700,416 shares of capital stock (par 50 cents) being offered in exchange for the 2,670,000 shares of Scurry Oils Ltd. stock on a share-for-share basis, and in exchange for the 534,320 shares of Rainbow Oil Ltd. stock on a basis of 3.8 shares of Scurry-Rainbow stock for each Rainbow Oil share. The offer expires April 20. **Underwriter**—None.

★ Shasta Water Co., San Francisco, Calif.
April 5 (letter of notification) 1,500 shares of common stock (no par). **Price**—At market (not less than $16 per share). **Proceeds** — For working capital. **Office**—1555 Barcroft Ave., San Francisco, Calif. **Underwriter**—Brush, Slocumb & Co., San Francisco, Calif.

Signature Loan Co., Inc.
March 5 filed 58,916 shares of 7% cumulative convertible preferred stock (par $11) being offered in exchange for outstanding participating preferred stock held at close of business March 25 on basis of two new shares of 7% stock for each old participating preferred share held. The offer expires on April 30. Subject to prior right of exchange, 47,806 shares of the new preferred are to be purchased by the below named underwriters and reoffered to public. **Price**—$11.50 per share. **Proceeds**—To retire participating preferred stock. **Underwriters** — Simon, Strauss & Himme, New York; William N. Pope, Inc., Syracuse, N. Y.; and Chace, Whiteside, West & Winslow, Inc., Boston, Mass. **Change in Name**—Company was formerly known as Federal Loan Co. of Pittsfield, Inc.

Signature Loan Co., Inc.
March 5 filed 29,458 shares of convertible preferred stock (par $11) and 29,458 shares of class A common stock (par $1) being offered to holders of participating

preferred stock in units of one share of each class of stock on the basis of one unit for each participating preferred share held as of record March 25 (with an oversubscription privilege); rights will expire on April 30. **Price**—$15 per unit to stockholders and $15.50 per unit to public. **Proceeds** — For expansion and working capital. **Underwriters** — Simon, Strauss & Himme and A. M. Kidder & Co., both of New York; William N. Pope, Inc., Syracuse, N. Y.; Chace, Whiteside, West & Winslow, Inc. and Draper, Sears & Co., both of Boston, Mass.; and Chilson, Newbery & Co., Kingston, N. Y.

★ South Carolina Insurance Co.
April 8 (letter of notification) 15,000 shares of common stock (par $10). **Price**—$19 per share. **Proceeds**—For capital and surplus. **Address**—P. O. Box 1199, Columbia, S. C. **Underwriter**—None.

● Southern Counties Gas Co. of California (5/4)
April 5 filed $15,000,000 first mortgage bonds, series A, due 1984. **Proceeds**—To repay advances received from parent, Pacific Lighting Corp., and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co. **Bids**—Expected to be received on May 4.

Spokane Seed Co., Spokane, Wash.
March 8 filed $600,000 of 5% convertible debentures due June 15, 1964, to be sold to pea growers located in Eastern Washington and Northern Idaho. **Price**—100% of principal amount. **Proceeds**—To improve facilities and for working capital. **Underwriter**—None.

● Standard Uranium Corp., Moab, Utah (4/22)
March 15 filed 1,430,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—To exercise options on claims, and for general corporate purposes. **Underwriters**—Gearhart & Otis, Inc., New York, and Crerie & Co., Houston, Tex.

Strevell-Paterson Finance Corp.
Feb. 19 filed 640,000 shares of common stock (par 50 cents being offered in exchange for the $300,000 par value of authorized, issued and outstanding capital stock of Strevell-Paterson Finance Co. on the basis (a) of 13 shares of Corporation stock for each of the 5,000 shares of 5% cumulative preferred stock (par $10) of the Company and (b) 23 shares of Corporation stock for each of the 25,000 shares of $10 par common stock of the company. Offer expires Oct. 31. **Underwriter**—None. **Office**—Salt Lake City, Utah. Statement effective March 30.

★ TelAutograph Corp.
April 8 (letter of notification) an undetermined number of shares of common stock (par $5) to be offered for subscription by employees under a stock purchase plan up to 5% of his annual earnings rate. **Office**—Mutual Bldg., Richmond, Va.

● Telephone Bond & Share Co. (4/23-27)
March 31 filed 325,000 shares of common stock (par $1) to be offered for subscription by stockholders on the basis of one new share for each two shares held about April 23-27 for a 14-day standby. **Price**—To be supplied by amendment. **Proceeds**—For financing of company's subsidiaries. **Underwriters** — Lazard Freres & Co. (to handle books); White, Weld & Co.; and W. C. Pitfield & Co., Inc.

● Temco Aircraft Corp (4/21-22)
March 30 filed 300,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To three selling stockholders. **Underwriter** — Van Alstyne, Noel & Co., New York.

★ Texas State Oil & Gas Co., Corpus Christi, Texas
April 7 (letter of notification) 599,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For general corporate purposes. **Office** — 603 Wilson Bldg., Corpus Christi, Tex. **Underwriter** — L. D. Sherman & Co., New York.

Textron Incorporated, Providence, R. I.
Feb. 8 filed 195,668.4 shares of 4% preferred stock, series B (par $100) and 489,171 shares of common stock (par 50 cents) to be offered to holders of the 978,342 shares of common stock of American Woolen Co. on the basis of one-fifth of a share of preferred and one-half share of common stock plus $5 in cash for each American Woolen common share up to and including April 19. From April 20 to May 20, the cash consideration will be $3.50; from May 21 to June 21, $2; and for June 22 to July 20, no cash. **Dealer-Manager**—Blair, Rollins & Co. Inc., New York.

Trip-Charge, Inc., Pittsburgh, Pa.
March 17 (letter of notification) 22,428 shares of 7% preferred stock (par $10) and 7,476 shares of common stock (par $1) to be offered in units of three preferred shares and one common share. **Price**—$33 per unit. **Proceeds**—For expansion and working capital. **Business**—Credit cards. **Office**—Fifth and Hamilton, Pittsburgh 6, Pa. **Underwriter**—None. Common stockholders will have preemptive right to subscribe for units of one share of each class of stock at $12.50 per unit.

Utah Power & Light Co. (4/28)
Feb. 16 filed $15,000,000 of 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.; 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. **Bids**—Tentatively expected to be received up to noon (EDT) on April 28 in Room 2033, Two Rector St., New York, N. Y.

Vulcanized Rubber & Plastics Co.
March 23 (letter of notification) 3,540 shares of common stock (no par) offered on April 5 to stockholders of record March 30 on a basis of one new share for each two shares of preferred or common stock held; rights to expire on April 19. **Price**—$25 per share. **Proceeds**—To purchase two injection molding presses and for working capital. **Office**—261 Fifth Ave., New York 16, N. Y. **Underwriter**—None.

★ Ware Industries, Inc., Ware, Mass.
April 12 (letter of notification) 7,000 shares of common stock to be offered to stockholders. **Price** — At par ($5 per share). **Proceeds** — To repay demand note and for working capital. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 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 sales 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, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Penn Power Co. (4/20)
March 25 filed $12,000,000 first mortgage bonds, series P, due April 1, 1984. **Proceeds**—For construction program of company and its subsidiaries. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; W. C. Langley & Co.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Bids**—To be received up to 11 a.m. (EST) on April 20 at 50 Broad St., New York 4, N. Y.

● West Texas Utilities Co.
March 15 filed 60,000 shares of 4.40% cumulative preferred stock (par $100), of which 47,370 shares are being first offered in exchange for outstanding $6 cumulative preferred stock on a share-for-share basis. The exchange offer will expire on April 19. **Price**—$105 per share. **Proceeds**—To redeem $6 preferred stock and to finance new construction. **Underwriters** — Harriman Ripley & Co. Inc.; Union Securities Corp.; Lehman Brothers; Stone & Webster Securities Corp. **Bids**—To be received up to 11:30 a.m. (CST) on April 8 at 20 North Wacker Drive, Chicago, Ill.

Westinghouse Electric Corp., Pittsburgh, Pa.
March 2 filed 483,190 shares of common stock (par $12.50) to be offered under restricted stock option plan to certain officers and other executive employees of company and its subsidiaries; and 200,000 shares of said stock to be offered under employees' stock plan to employees of company and six subsidiaries.

Wilson Organic Chemicals, Inc.
March 18 (letter of notification) 7,500 shares of common stock (par $1). **Price**—$2.37½ per share. **Proceeds**—To selling stockholder. **Office** — Sayreville, N. J. **Underwriter**—Graham, Ross & Co., Inc., New York.

★ Winn & Lovett Grocery Co.
April 13 filed 30,418 shares of common stock (par $1) to be offered for sale to company employees under an employee stock option plan.

Wisconsin Electric Power Co. (4/28)
April 7 filed 421,492 shares of common stock (par $10) to be offered for subscription by stockholders of record about April 28 on the basis of one new share for each ten shares held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—For property additions and improvements. **Underwriter**—None.

Wisconsin Electric Power Co. (5/4)
April 7 filed $20,000,000 first mortgage bonds due 1984. **Proceeds**—For property additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on May 4.

Prospective Offerings

Alabama Gas Corp.
March 1 it was announced stockholders will vote April 20 on approving an increase in the authorized common stock (par $2) from 1,000,000 to 2,000,000 shares. Southern Natural Gas Co., parent, owns about 99% of the presently outstanding common stock. There are no plans for immediate financing. **Underwriter**—None.

Allis-Chalmers Manufacturing Co. (5/6)
March 23 the company announced it is preparing a $50,000,000 financing program which will include the issuance and sale of 350,000 shares of new $100 par convertible preferred stock (carrying a dividend rate between 3¾% and 4¼%) and $15,000,000 of debentures or notes. **Proceeds** — To be added to general funds. **Meeting**—Stockholders will vote May 5 on a proposal to increase the authorized preferred stock (par $100) from 259,481 shares (118,854 shares outstanding) to 618,854 shares. **Underwriter**—Previous financing was underwritten by Blyth & Co., Inc., New York. **Registration** — Of preferred expected about April 15. Debt financing may be private.

American Natural Gas Co.
March 11 it was announced stockholders will vote April 28 on increasing the authorized common stock from 4,000,000 to 5,000,000 shares to enable the company to sell additional shares when necessary. Offering will probably be made to present stockholders: **Proceeds**—To subsidiaries for their construction programs. **Underwriter**—None.

Arkansas Louisiana Gas Co.
Feb. 22 it was reported Cities Service Co. may sell its holdings of 1,900,000 shares of this company's stock. If sold at competitive bidding, bidders may include Smith, Barney & Co. and Blyth & Co., Inc. (jointly).

Arkansas Power & Light Co.
Feb. 8 it was reported company plans to sell, probably in August, an issue of about $7,500,000 first mortgage bonds due 1984. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers, Stone & Webster Securities Corp. and White, Weld & Co. (jointly); Blyth & Co., Inc., Equitable Securities Corp. and Central Republic Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly).

Boston Edison Co.
Feb. 15 it was announced company plans to issue and sell about $15,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Offering**—Tentatively expected in June.

Carrier Corp.
Feb. 23 stockholders approved a proposal to increase the authorized common stock (par $10) from 1,600,000 shares to 5,000,000 shares and the authorized preferred stock (par $50) from 181,855 shares to 800,000 shares to provide for further possible financing. **Proceeds**—For expansion, etc. **Underwriters**—Harriman Ripley & Co. Inc. and Hemphill, Noyes & Co.

Central Hudson Gas & Electric Corp.
March 8 it was announced issues of mortgage bonds and preferred stock are now under consideration, but definite plans will depend largely upon developments in the securities markets. Construction cash requirements are estimated at $17,300,000 for 1954-1955. Company is reported to be considering the issuance of about $9,000,000 bonds this fall and $3,500,000 of preferred stock in 1955. **Underwriter**—Kidder, Peabody & Co., New York.

Central Illinois Electric & Gas Co.
Dec. 9 it was announced company intends to offer and sell around the middle of 1954 an issue of $4,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—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.
William F. Wyman, President, on April 1 reported that the company expects to sell $5,000,000 of convertible preferred stock late in the second quarter of 1954, but that details of the offering are not available at this time. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Harriman Ripley & Co. Inc.; Coffin & Burr, Inc.

Chicago Great Western Ry.
Feb. 26, the ICC dismissed the company's application for exemption of an issue of $6,000,000 collateral trust bonds due Nov. 1, 1978 from competitive bidding. **Proceeds** — To repay bank loans and for capital improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. On April

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23, last year, the road rejected the only bid made of 98.05% for a 5¾% coupon by Halsey, Stuart & Co. Inc. and Union Securities Corp. (jointly).

Chicago & North Western Ry. (4/15)
Bids will be received by the company up to noon (CST) on April 15 at 400 West Madison St., Chicago, Ill., for the purchase from it of $4,695,000 equipment trust certificates to be dated May 1, 1954 and to mature in 15 equal annual instalments to May 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

★ Clark Oil & Refining Corp.
April 12 it was reported this company (formerly Petco Corp.) plans early registration of 50,000 shares of convertible preferred stock (par $20) and between 750,000 to 1,000,000 shares of common stock. **Proceeds**—For expansion. **Underwriter**—Loewi & Co., Milwaukee, Wis.

Colonial Fund, Inc.
March 12 it was reported that, in connection with proposal to mutualize this Fund, a block of capital stock may be offered publicly through Stone & Webster Securities Corp., New York, and associates.

Colorado-Western Pipeline Co.
March 5 it was announced company has applied to Colorado P. U. Commission for authority to build a $21,500,000 natural gas pipe line, in Colorado, to be financed through sale of about 70% of bonds and 30% of equity capital. John R. Fell, a partner of Lehman Brothers, is a Vice-President.

Columbia Gas System, Inc.
March 5 it was announced that company plans early in June to issue and sell $40,000,000 of senior debentures and an additional $40,000,000 of senior debentures later in 1954. **Proceeds**—For construction expenses and to repay a bank loan of $25,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Connecticut Light & Power Co.
Dec. 7 it was reported company plans to raise between $10,000,000 and $20,000,000 in 1954 from sale of bonds and stock. **Underwriters**—For common stock: Putnam & Co.; Chas. W. Scranton & Co., and Estabrook & Co. Bonds may be placed privately.

Consolidated Natural Gas Co. (5/25)
Jan. 27 it was reported company plans to issue and sell $25,000,000 of debentures due 1979. **Proceeds**—To purchase stock of company's operating subsidiaries, who in turn will apply these proceeds for construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and The First Boston Corp. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on May 25.

Duquesne Light Co.
March 8, Philip A. Fleger, Chairman, stated that about $24,000,000 of new capital will be required during 1954 and that plans for obtaining the necessary funds will be announced in the near future. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); Harriman, Ripley & Co., Inc. (2) For common stock—Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blyth & Co. Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securities Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Stone & Webster Securities Corp.; The First Boston Corp. and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly).

Eastern Utilities Associates
March 8 it was announced company plans the sale not later than Oct. 1, 1954 of about $2,000,000 of common stock, probably first to stockholders. **Proceeds**—To repay bank loan.

Fidelity Trust of America, Dallas, Tex.
Dec. 22 it was announced that company plans to increase its capitalization to $3,000,000, following which a registration statement will be filed with the SEC to authorize a new offering. There are presently authorized 35,000 shares of no par value, of which 33,750 shares will be outstanding following present offering and sale of 30,000 shares of common stock at $10 per share. **Business**—A discount and lending organization. **Office**—Fidelity Bldg., Dallas, Tex. **Underwriter**—May be Boylen, Kasper & Co., Dallas, Tex.

First National Bank of Toms River, N. J. (5/14)
Jan 12 it was announced bank plans to offer for subscription by its stockholders of record May 1, 1954, an additional 3,000 shares of capital stock (par $10) on the basis of one new share for each 26 shares held; rights to expire on June 16. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Florida Power Corp.
March 27, it was announced that the company plans new financing late this summer which would require issuance of common stock and probably $10,000,000 of bonds. **Proceeds** — For new construction. **Underwriters** — For common stock (first to common stockholders), Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). Common stock was increased by stockholders on March 25 from 2,500,000 shares to 5,000,000 shares, and the preferred stock from 250,000 shares to 500,000 shares.

Florida Power & Light Co.
Jan. 25 it was reported company may later this year issue and sell about $15,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co. and Harriman Ripley & Co. Inc. (jointly).

Foote Mineral Co., Philadelphia, Pa.
Feb. 20 it was announced stockholders will vote April 22 on increasing the authorized common stock (par $2.50) from 500,000 shares to 1,000,000 shares. There are presently 276,088 shares outstanding and an additional 43,217 shares are reserved for conversion of debentures and the remaining 180,695 shares are available for the employees' stock bonus plan. The proposed increase in capitalization is necessary to provide additional shares to finance the continued growth of the company, or if it seems advisable for stock dividends or a stock split. **Underwriter**—Estabrook & Co., New York and Boston.

● General Acceptance Corp.
March 22 it was reported company plans registration, in near future, of $4,000,000 convertible debentures due 1984 (with warrants). **Underwriter**—Paine, Webber, Jackson & Curtis.

★ General Precision Equipment Corp.
April 2 it was announced stockholders will vote April 27 on increasing authorized convertible preference stock from 15,000 to 25,000 shares; the authorized preferred stock from 150,000 to 250,000 shares and the authorized common stock from 1,500,000 to 2,000,000 shares. **Purpose**—The increases in stock are being sought so that the company will have available additional authorized and unissued stock to be used when considered advisable by the board of directors for corporate purposes including, but not limited to, the acquisition of new business, financing of new construction, payment or prepayment of outstanding indebtedness, restoration of working capital, granting of additional employee stock options under the plan approved by stockholders in 1949, and for additions to working capital. **Underwriters** — The First Boston Corp. and Tucker, Anthony & Co.

General Public Utilities Corp. (5/12)
March 8 it was announced company plans to offer about 606,576 additional shares of common stock (par $5) to stockholders on the basis of one new share for each 15 shares held on or about May 12; rights to expire June 2. **Price**—To be determined just prior to the offering date. **Proceeds**—To be invested in the domestic subsidiaries. **Underwriter**—None, but Merrill Lynch, Pierce, Fenner & Beane may act as clearing agent.

Granby Consolidated Mining, Smelting & Power Co., Ltd.
March 23 it was announced that the company may find it necessary to sell a bond issue or to issue the balance of its unissued common shares, of which there are 149,739.35 of $5 par value. As the company's shares are now selling on the New York Stock Exchange at about $7.50 per share it is necessary that stockholders on April 13 approve issuance of the unissued shares before they can be sold at a premium. **Proceeds**—To be used for financing Granduc Mines, Ltd., in which Granby owns an interest.

Indiana & Michigan Electric Co.
Jan. 27 it was announced company plans to sell around November, 1954, an issue of about $16,500,000 first mortgage bonds due 1984 and 40,000 shares of cumulative preferred stock (par $100). **Underwriter** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Union Securities Corp., Goldman, Sachs & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; (2) for preferred—The First Boston Corp.; Smith, Barney & Co.; Lehman Brothers; Union Securities Corp.

★ International Great Northern RR. (4/15)
Bids will be received by the trustee of the company in St. Louis, Mo., up to noon (CST) on April 15 for the purchase from the company of $1,845,000 equipment trust certificates, series FF, dated May 1, 1954, and to mature $123,000 annually from May 1, 1955 to 1969, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.

★ Iowa Public Service Co.
April 9 company applied to the Federal Power Commission for authority to issue and sell $7,500,000 first mortgage bonds to mature May 1, 1984. **Proceeds**—To redeem a like amount of 4% bonds sold last June. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Equitable Securities Corp.; White, Weld & Co.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly).

Jersey Central Power & Light Co.
Dec. 16 it was reported company tentatively plans to issue and sell in 1954 about $6,000,000 first mortgage bonds due 1984. **Proceeds** — For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Glore, Forgan & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers. **Offering**—Expected in June.

Kansas City Power & Light Co.
March 8 it was announced that company may sell in the latter part of 1954 $16,000,000 first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp. **Meeting** — Stockholders will vote April 27 on approving new financing.

Kansas-Nebraska Natural Gas Co., Inc. (5/3)
March 24 it was reported company plans to issue and sell 10,000 shares of 5% cumulative preferred stock (par $100) and 85,909 shares of common stock (latter to stockholders on a 1-for-10 basis). **Proceeds**—For expansion program. **Underwriters**—The First Trust Co. of Lincoln, Neb.; and Cruttenden & Co., Chicago, Ill.

★ Keystone Portland Cement Co.
April 7 it was announced that following a four-for-one split-up of the common stock, a public offering will be made. There are presently outstanding 136,434 common shares, of which 82,274 shares are owned by a group of investment bankers headed by Shields & Co., New York. **Offering**—Tentatively expected early in May.

Koppers Co., Pittsburgh, Pa.
March 29 stockholders voted to increase the authorized common stock from 2,000,000 shares (1,867,125 shares outstanding) to 3,000,000 shares. There are no immediate plans to issue any of the additional stock. **Underwriter**—The First Boston Corp., New York.

Long Island Lighting Co.
March 4 it was announced company plans later this year to issue additional common stock and mortgage bonds to finance its construction program, which will require about $70,000,000 additional financing. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith, Barney & Co. Underwriters for common stock may be Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co. and associates.

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).

Metropolitan Edison Co.
Dec. 16 it was reported company may sell in 1954 about $3,500,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly).

Missouri Public Service Co.
Dec. 28 it was announced company plans to issue and sell $14,000,000 of common stock and borrow $18,000,000 from banks in connection with proposed acquisition of 1,500,000 shares of common stock of Gas Service Co. of Kansas City, Mo., at a total cost of $32,000,000. Following consummation of proposed merger of the two companies, it is planned to sell $9,000,000 of first mortgage bonds, $2,500,000 of debentures and 65,000 shares of preferred stock (par $100). **Proceeds** — To retire bank loans. **Underwriter**—For common stock (now in registration): Kidder, Peabody & Co.

Montana-Dakota Utilities Co.
March 17 it was reported that company plans to issue and sell late this year some additional first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair, Rollins & Co. Inc.

Montreal Transportation Commission
March 22 it was reported Commission may issue and sell around $30,000,000 to $35,000,000 bonds for refunding purposes. **Underwriter**—If through competitive bidding, probable bidders will include: Shields & Co., Halsey, Stuart & Co. Inc. and Savard & Hart (jointly); Kuhn, Loeb & Co., Glore, Forgan & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; White, Weld & Co., Union Securities Corp., and Blyth & Co., Inc. (jointly); Dominion Securities Corp.

National Fuel Gas Co.
April 1 it was reported company plans to offer about 400,000 shares of capital stock (no par) for subscription by stockholders later this year or early next year, subject to approval on April 29 of a proposal to increase the authorized capital stock from 4,000,000 to 6,000,000 shares. **Proceeds**—For new construction. **Underwriter**—Dillon, Read & Co., New York, handled secondary offering in 1943.

New Jersey Power & Light Co.
Dec. 16 it was reported this company tentatively plans issue and sale in 1954 of about $3,000,000 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.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Equitable Securities Corp.; Union Securities Corp. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

New Orleans Public Service Inc.
Feb. 8 it was reported company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 late this year. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers;

Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co.

• New York State Electric & Gas Corp. (5/18)
March 26 company applied to the New York P. S. Commission for authority to issue and sell $20,000,000 first mortgage bonds. **Proceeds** — For construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); Union Securities Corp.; The First Boston Corp. and Glore, Forgan & Co. (jointly); Lehman Brothers, Harriman Ripley & Co. Inc.; Hemphill, Noyes & Co. and Drexel & Co. (jointly). **Bids**—Expected about May 18.

★ Niagara Mohawk Power Corp. (5/11)
April 13 the directors authorized the issuance and sale of 210,000 shares of cumulative preferred stock (par $100). **Price**—To be announced later. **Proceeds**—To repay bank loan and to finance new construction. **Underwriter**—Harriman Ripley & Co. Inc., New York.

Northern Natural Gas Co.
March 31 it was announced company plans to issue and sell an issue of $40,000,000 of debentures. **Proceeds**—To refund a like amount of 4½% debentures sold last June. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. **Offering**—Expected in May.

Northern Natural Gas Co.
March 29 it was announced company has applied to the Nebraska Railway Commission for authority to issue 365,000 shares of common stock to be offered to stockholders on the basis of one new share for each nine shares held with sale scheduled for May or June. It thereafter expects to market $24,000,000 of sinking fund debentures due 1974. **Proceeds**—For construction program. **Underwriter**—Probably Blyth & Co., Inc., New York and San Francisco.

★ Northern Ohio Telephone Co.
April 5 the Ohio P. U. Commission authorized company to offer to its stockholders 117,500 additional shares of common stock at not less than $20 per share. Unsubscribed shares to be offered to public.

Northern States Power Co. (Minn.)
Feb. 8 it was reported company is planning the issuance and sale of approximately $20,000,000 of first mortgage bonds due 1984 in October of 1954. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co. Inc. and Wertheim & Co. (jointly).

Ogden Corp., New York
April 1 stockholders approved issuance of $20,000,000 debentures and 300,000 shares of preferred stock (par $50) and increased the authorized common stock from 3,404,135 shares to 5,500,000 shares. **Proceeds**—To complete certain acquisitions and to repay short-term borrowings. **Underwriter**—May be Allen & Co., New York.

★ Pacific Gas & Electric Co. (5/18)
April 13 the directors authorized the sale of $65,000,000 first and refunding mortgage bonds, series X, due June 1, 1984. **Proceeds**—To refund $63,040,000 4% bonds due 1984. **Underwriter** — To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc. **Bids**—Tentatively expected to be received on May 18.

★ Pembina Pipe Line Co. (Canada)
April 14 it was announced company has been granted the right to obtain a permit to build a 72-mile pipe line to transport crude oil from the Pembina Oil Field in Alberta to Edmonton. Financing will be handled jointly by Mannix Ltd. of Calgary, Dome Exploration (Western) Ltd. of Toronto, and Carl M. Loeb, Rhoades & Co. of New York.

Pennsylvania Glass Sand Corp.
Feb. 26 it was announced stockholders will vote April 27 on increasing the authorized common stock from 740,000 shares to 1,000,000 shares. No immediate plans to issue any of the additional stock have been announced. **Underwriters**—Harriman Ripley & Co. Inc., and Smith, Barney & Co., New York.

Pioneer Natural Gas Co.
March 26, P. C. Spencer, President of Sinclair Oil Corp., announced that Sinclair has under formulation plans for the disposal of its holdings of 769,721 shares of Pioneer stock and 384,860 shares of Westpan Hydrocarbon Co. stock. **Underwriter**—Union Securities Corp., New York, underwrote recent sale of Sinclair's holdings of Colorado Interstate Gas Co. stock.

• Public Service Co. of Colorado
April 12 it was reported company plans to finance its 1954 construction program through temporary bank loans, with permanent financing delayed until later in the year. Previously, the company had planned to float an issue of $15,000,000 first mortgage bonds, due 1984, early in 1954. **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 Electric & Gas Co. (5/26)
Jan. 27, G. H. Blake, President, announced that a $50,000,000 financing program is expected in the Spring. The type of securities to be issued is still undetermined. but some form of debt financing is indicated (probably first and refunding mortgage bonds due 1984). **Underwriters**—For any bonds will be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); The First Boston Corp. **Bids**—Tentatively expected on May 26.

Puget Sound Power & Light Co.
April 5 the directors approved a program designed to refund the company's long-term debt. Bidders may include Halsey, Stuart & Co. Inc.; Lehman Brothers; Stone & Webster Securities Corp.

Riddle Airlines, Inc.
Jan. 7 it was reported company plans to file a letter of notification soon to issue an aggregate value of up to $300,000 of new securities. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Rockland Light & Power Co.
April 1, Rockwell C. Tenney, Chairman of the Board, announced that the 1954 construction program, estimated at $14,000,000, will require further financing. Common stock financing to stockholders in 1953 was underwritten by Merrill Lynch, Pierce, Fenner & Beane. An issue of $8,000,000 bonds were also sold last year at competitive bidding, with the following making bids: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; Stone & Webster Securities Corp.; The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane.

St. Joseph Light & Power Co.
March 30, C. A. Semrad, President, announced that the company may raise new money this year through the sale of $1,000,000 first mortgage bonds or from temporary bank loans for its 1954 construction program, which, it is estimated, will cost $1,661,000. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., and Glore, Forgan & Co. (jointly); Union Securities Corp.; White, Weld & Co.; Equitable Securities Corp.

Scott Paper Co.
Feb. 23 it was announced stockholders will vote April 27 on increasing the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Scudder Fund of Canada, Ltd.
Jan. 29 it was announced company intends to make an initial public offering of its common shares in the United States to realize at least $5,000,000.

South Carolina Generating Co.
March 1 it was reported this company, a subsidiary of South Carolina Electric & Gas Co., is planning to issue and sell $12,000,000 of bonds. **Proceeds**—To pay for new construction. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Union Securities Corp. Previous financing was done privately.

Southern New England Telephone Co.
March 26 it was reported company, in addition to debenture financing, plans to issue and sell to its stockholders about $10,000,000 of additional common stock (par $25). **Underwriter**—None.

Southern New England Telephone Co.
March 26 it was reported company plans issuance and sale of about $15,000,000 debentures. If competitive bidders may include Halsey, Stuart & Co. Inc.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Morgan Stanley & Co. **Offering**—Expected in May or June.

Southern Pacific Co. (4/29)
Bids are expected to be received by the company in New York up to noon (EDT) on April 29 for the purchase from it of $7,905,000 equipment trust certificates, series NN, dated April 15, 1954 and due annually to April 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.

Southwestern Gas & Electric Co.
March 8 it was announced company plans to issue and sell in September, 1954, $10,000,000 first mortgage bonds. **Proceeds**—To refund bank loan of $7,500,000 and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Lehman Brothers; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc.; The First Boston Corp.

Sutton (O. A.) Corp., Wichita, Kan.
Feb. 15 it was reported company may do some financing later this year, either public or private. **Business**—Air circulating equipment, etc.

Tennessee Gas Transmission Co.
Jan. 27 it was reported company plans issuance and sale of $20,000,000 of debentures in June and $25,000,000 of first mortgage pipe line bonds in July. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

Texas Eastern Transmission Corp.
March 5 it was announced stockholders will vote April 27 on increasing the authorized common stock from 7,500,000 shares to 10,000,000 shares. **Underwriter**—Dillon, Read & Co. Inc., New York.

Toledo Edison Co.
March 3 it was announced stockholders will vote April 20 on increasing the authorized cumulative preferred stock from 300,000 shares to 500,000 shares. **Underwriters**—The First Boston Corp., New York, and Collin, Norton & Co., Toledo, Ohio.

Trans-Canada Pipe Lines, Ltd.
March 26 it was annouced that the cost of the building of the proposed cross-Canada gas pipeline would be approximately $292,000,000, which would be financed through the issuance of about $36,500,000 each of common stock and debentures and $219,000,000 of first mortgage bonds. **Underwriters**—Lehman Brothers and Wood, Gundy & Co., Inc., both of New York.

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Tri-Continental Corp.
March 30 stockholders voted to reclassify 500,000 shares of presently authorized but unissued $6 cumulative preferred stock, without par value, into 1,000,000 shares of a new class of preferred stock, $50 par value, making possible a refunding of the outstanding $6 preferred stock at an appropriate time, when conditions warrant. **Underwriter**—Union Securities Corp., New York.

• Union Oil Co. of California
April 13 stockholders approved a proposal increasing the authorized common stock from 7,500,000 shares to 15,000,000 shares. The company said it has no immediate plans to market the additional shares. **Underwriter**—Dillon, Read & Co., New York.

Virginia Electric & Power Co. (5/18)
March 17 it was reported company plans to issue and sell $25,000,000 first refunding mortgage bonds due 1984. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp.; White, Weld & Co.; Union Securities Corp.; Salomon Bros. & Hutzler. **Bids**—Expected to be received on May 18. **Registration** — Tentatively scheduled for about April 19.

West Coast Telephone Co.
Feb. 6 it was announced California P. U. Commission has authorized company to issue 20,000 shares of common stock (par $25). **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Blyth & Co., Inc., San Francisco, Calif.

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.

West Texas Utilities Co.
March 8 it was announced company plans to refund its $5,500,000 bank loan in the Spring of 1955 through the issuance and sale of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); Kidder, Peabody & Co.; The First Boston Corp.

Western Pacific RR. Co.
March 10 company applied to the ICC for exemption from competitive bidding on its proposed $22,500,000 debenture issue. The 30-year 5% income securities, would be offered in exchange for 225,000 of $100 par preferred stock, of the more than 300,000 shares outstanding. The company plans to offer $100 of debentures, one-fifth of a share of common, and an undetermined cash payment for each share of preferred stock and then redeem the then remaining outstanding 83,211 shares of preferred stock.

Westpan Hydrocarbon Co.
See Pioneer Natural Gas Co. above.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Some of President Eisenhower's captive brains are being made most unhappy by the high-toned criticisms they are receiving for the failure of the President to name a new Chairman of the Commission on Intergovernmental Relations.

Former Dean Clarence E. Manion of Notre Dame was fired Feb. 17 as Chairman. Sherman Adams fired Manion, the latter explained, because he was not devoting sufficient time to the Commission.

That was nearly two months ago. At this writing a successor had not been named, although there are several candidates, some of them from within the present membership of the Commission.

Even if a new Chairman is named, nearly two months of delay has occurred. Except for a few research men digging away on a few projects, the Commission has hardly turned a wheel in that two months. The internal organization of the Commission has not been completed, and the schedule of studies has not been outlined.

There is said to be no reason for this eclipse of the Commission on Intergovernmental Relations, even if the President cannot find as a successor someone, unlike Dean Manion, who will not take the project of halting governmental centralization too seriously. Manion regarded the unlimited power of the Executive to enter into treaties and executive agreements as one of the causes for centralization. If he had not been so outspoken for the Bricker amendment, he probably would not have been fired.

The delay has been unnecessary, because the Congressional law setting up the Commission on Intergovernmental Relations provided that the President shall name a Vice Chairman. Most commissions implicity have Vice Chairmen so that work can be carried forward in the event of the absence of a Chairman. In this case Congress made the naming of a Vice Chairman mandatory.

For some unexplained reason, the President has not named a Vice Chairman.

Studies Decentralization

In theory the Manion Commission was set up to study ways of reversing the trend toward centralization of governmental powers and revenues in the hands of the Federal Government. It was supposed to study ways of returning powers, responsibilities, and revenue sources to the states.

It was one of the projects closet to the heart of the late Senator Taft. And Dean Manion was the outstanding favorite for this or any job, virtually, of the late Ohio Senator.

On the other hand, most of the Eisenhower program involves a further centralization of power in the hands of the Federal Government.

One example is the pending housing bill. Under this bill cities would have to study and plan their prospective urban developments for years ahead. They would have to submit these plans to the Housing and Home Finance Administrator, a Federal official. If the HHFA Administrator found these plans satisfactory, he could order a whole series of loan and grant provisions, existing and new, in force in the particular city. If the HHFA Administrator found, on the other hand, that a city's plans for dealing with its urban development were unsatisfactory, he could withhold these Federal benefits.

Another example is the President's hospital construction program. In this case the Federal Government would follow the old New Deal pattern of subsidizing the construction of all kinds of medical facilities, and thereby extend a benevolent control over this kind of a state operation.

Guaranteed Miracle in Guaranteed Loans

There is a new Aladdin's lamp, and its powers are reminiscent of those ascribed to the Canadian Parliament under the British North America Act, by a late Chief Justice of Ontario. Parliament, he said, could do everything but make a man a woman or a woman a man.

This new magic is the insured loan, which got prolific on a truly national scale with the National Housing Act of 1934, which created the Federal Housing Administration. There were in existence more varieties of FHA insurance than there were pickles, prior to the Eisenhower Administration, which is increasing the varieties of this magic, Congress being willing.

There is pending in House committee a bill which would provide government insurance for loans to build hospitals, a type of investment not normally looked upon as highly profitable.

The "Select" Senate Committee on Small Business recommended insurance of loans by banks to small business.

The possibilities for government insurance of bank and other institutional loans, however, has hardly been scratched. Come that depression, and the government can insure municipal bonds in order that cities can raise money for anti-cyclical public works. This possibility, incidentally, is not as remote as one might think.

For anticyclical purposes the government could guarantee or insure loans:

(a) To consumers, to buy durable goods, to provide employment.

(b) To veterans, $2,000 on every automobile purchased new.

(c) To farmers with outhouses leaning in the wind, to construct new outhouses, providing a market for lumber and nails, and work for local carpenters. And so on.

It awaits only the lethargic imagination of a Congressman or two for examples (a) through (c), and others equally brilliant, to be offered as serious possibilities.

Housing Bill Left Unworkable

Analysis of how the House treated the President's housing program indicates to observers that the Republican leaders lost control of the bill and that as passed by the House, it appears to be virtually unworkable.

For instance, one of the pitches of the bill was supposed to be to get the government out of buying some of its own insured and guaranteed loans through Treasury money disbursed by the Federal National Mortgage Association. However, to do this, the minimum requirement was that the government should be able to adjust interest rates to the market, on its guaranteed and insured loans. Congress cut this out.

One of the other main objectives of the Administration was to give the President power to loosen all around, the terms of government insured and guaranteed loans, so as to steam up a housing boom if high pressure housing construction were needed to counter a depression.

While the House may not have meant to do so, it struck out the discretionary authority for the President to raise ratios of loan to value, provide longer repayment terms, and lower down payments. The reason it is suspected that the House did not mean to do this is that the House was striking at giving the President discretionary power to raise and lower interest rates on government-sponsored loans. In the process of killing discretionary authority on interest rates, it killed the whole Title II of the bill, involving the other powers for the President.

Decision of the Eisenhower Administration to investigate the long-known abuses of Title VI multiple-dwelling housing financing is not expected to smooth in any way the path of action, on the Administration's housing bill. The revival of talk about the past abuses of easy financing also indicates one of the inherent shortcomings of guaranteed and insured financing where the risk is transferred from private lenders to a guaranteeing agency.

Short-Circuits Treasury

In the whole current news story of providing further means of raiding the Treasury, directly or indirectly, there is one piece of news in the opposite direction.

Under the Housing Act of 1950 Congress empowered the HHFA to make loans to colleges to provide dormitories, and thus to make life easier for those who escaped the draft by qualifying for higher education.

Until last year, the law made the interest rate so arbitrary and lower, the government in effect offered such a favorable rate that colleges usually could not afford to raise the money privately. By an amendment voted by Congress last year, the HHFA Administrator set a rate of 3.5% as its offering price provided colleges had to pay more than 3.6% for their money.

This plan is just beginning to work, Colleges are finding that they can borrow on their own responsibility at 3.5%, with HHFA taking the later maturing half of the 40-year serial maturity, and banks and insurance companies the first 20 years of these loans.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capitol and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"C. B. leaned too far back in his swivel chair—oh well, at least he went with his boots on!"

Business Man's Bookshelf

Appraisal of Census Programs—Report of the Intensive Review Committee to the Secretary of Commerce—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (paper), 45¢.

Biography of a Bank: The Story of Bank of America, N.T.&S.A.—Marquis James and Bessie R. James—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $5.00.

Oklahoma Turnpike Names Underwriters On Coming Bond Issue

Norman Hirschfield, Chairman of the Oklahoma Turnpike Authority, announced April 13 that the bonds to be issued to finance the proposed turnpike extension would be underwritten by a group of investment banking firms as follows:—The First Boston Corporation, as senior manager, and as co-managers: Drexel & Co.; Glore, Forgan & Co.; Shields & Co.; Allen & Co.; Eastman, Dillon & Co.; Goldman, Sachs & Co.; Lehman Brothers; B. J. Van Ingen & Co., Inc.; White, Weld & Co. and the following Oklahoma investment dealers: Calvert & Canfield; Evan L. Davis; R. J. Edwards, Inc.; First Securities Company; Honnold & Co.; H. I. Josey & Co.; Leo Oppenheim & Company; Small-Milburn Company, Inc.

The Authority announced previously that it had retained the firms of DeLeuw, Cather & Company and Parsons, Brinckerhoff, Hall & Macdonald, as construction engineers and traffic engineers respectively, to investigate the feasibility of the three extensions of its present turnpike, namely, a connection from Tulsa to Joplin, Missouri, a connection from Oklahoma City to the Kansas border to connect with the proposed Kansas Turnpike and a connection from Oklahoma City through Lawton, Oklahoma to the Texas border near Wichita Falls. The traffic and enginering studies are now in process.

New Firm Name

LOS ANGELES, Calif.—The firm name of Hexter & Co., 6363 Wilshire Boulevard, has been changed to Investors Research Management Company.